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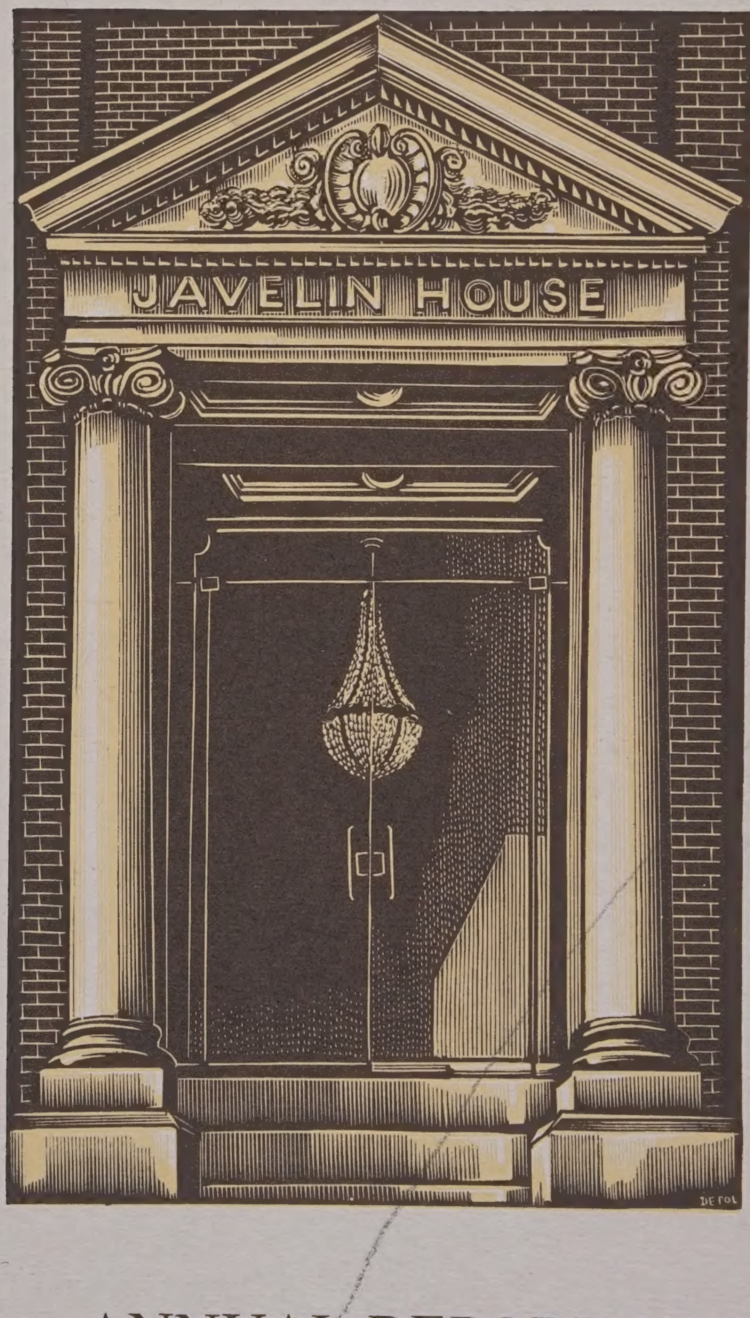
CANADIAN JAVELIN LIMITED

AND SUBSIDIARY COMPANIES



ANNUAL REPORT 1964

The Following Resolution Was Unanimously Adopted By the Board of Directors of Your Company at a Board of Directors' Meeting Held May 7, 1965.

Resolved, that this Board of Directors, in recognition of Mr. John C. Doyle's great efforts, honesty, ability and knowledge displayed in directing the affairs of this corporation, gives a unanimous vote of confidence and places full trust in his ability to direct the future destinies of Canadian Javelin Limited.

HONORARY DEGREE of Doctor of Laws is conferred on John C. Doyle by Lord Thomson of Fleet, Chancellor of Memorial University, St. John's, Newfoundland, at the convocation held May 16, 1964.

JAVELIN HOUSE
Head Office of
Canadian Javelin Ltd.
St. John's,
Newfoundland
A wood engraving
by John DePol

THE PRESIDENT'S REPORT TO SHAREHOLDERS:

THE PAST YEAR has been one of tangible progress in several important respects for your Company:

Iron ore from our first iron ore property, the Wabush Deposit, is now in production. The Wabush facilities, which are operated by a consortium of ten Canadian, United States and European steel companies, are scheduled to be officially dedicated on June 22, 1965 by Premier Joseph Smallwood of Newfoundland. Your Company can expect to receive substantial royalties from this source for many years into the future. More on this event of major importance to us appears elsewhere in this report.

Your Company has acquired from the Government of Newfoundland and Labrador its controlling interest in the Newfoundland and Labrador Corporation Limited ("NALCO"). Your Company now owns 97.2% of the outstanding stock of NALCO. However, under an agreement with the Government of Newfoundland, NALCO is to be merged with Jubilee Iron Corporation upon the approval of the shareholders of both Jubilee and NALCO. Following the proposed combination of Jubilee and NALCO, your Company will be the principal stockholder of the combined Jubilee-NALCO. As a result of this transaction the Government of Newfoundland and Labrador has become a substantial stockholder of your Company and of Jubilee Iron Corporation.

The holdings of NALCO, including certain renewals and additions, consist of mineral concessions covering approximately 16 million acres and timber concessions for approximately 10,000 square miles situated on the Island of Newfoundland and in Labrador. A variety of mineral prospects are known to occur in the mineral concessions. The forest concessions have been evaluated and inventoried. They are believed to contain one of the largest undeveloped pulpwood reserves in North America.

A research team has been examining the geological data available on NALCO's exploration activities since its founding in 1951. A program is being prepared to explore areas that have indications of the existence of ore bodies for the purpose of determining their commercial values.

The feasibility of building a pulp and paper mill to utilize NALCO's extensive timber resources has been studied for the past two years. The study has covered the density of the forests, the type and size of wood, the harvesting cycle, and the localities of development roads, camp sites and mill facilities. Representative samples of the wood from these forests have been shipped to Sweden and processed in both laboratory and commercial mills. Your Company is pursuing these studies vigorously and expects to make tangible progress during the current year.

Your management believes that the past year has been one of substantial progress for your Company. Not only has the vision in past years found its reward in the receipt of royalties from the Wabush Deposit, but, in addition, the foundation has been laid, through the NALCO acquisition, for a continued aggressive program of natural resources development, which, hopefully, will yield further rewards in the future.

As a result of your Company's acquisition of the controlling interest in NALCO, the Government of Newfoundland, on whose goodwill so much of the future of your Company depends, has become a substantial stockholder in your Company and in Jubilee Iron Corporation. We are proud to welcome it among the Company's shareholders.

Respectfully submitted on Behalf of the Board

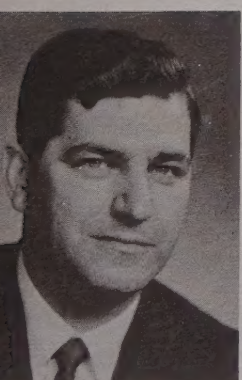
June 1, 1965

JOHN C. DOYLE *President*

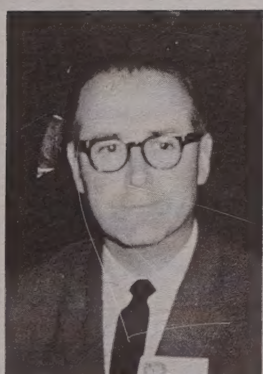
MEET YOUR DIRECTORS

EXECUTIVE COMMITTEE

(l. to r.)
Joseph M. McDaniel Jr.,
John C. Doyle, president and chairman;
James F. McNamara



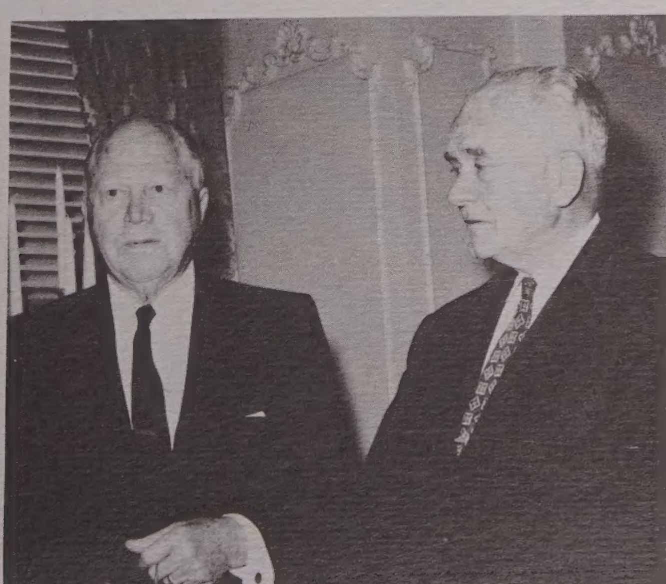
Arthur R.
Lundrigan



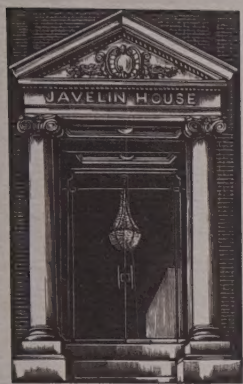
George
Perley-Robertson

H. Kenneth
Goodyear

(l. to r.)
William H. Roxburgh,
Yves Paré,
Hon. Senator Sarto Fournier.



(l. to r.)
Victor P. Geffine,
Admiral H. E. Orem (U.S.N. Ret.)



DIRECTORS

Affiliations of the Directors of Canadian Javelin Limited

JOHN C. DOYLE *Nassau, Bahamas*	Chairman of the Board of Directors and President
JOSEPH M. MCDANIEL, JR. *Pineville, Bucks County, Pa.*	Secretary of the Ford Foundation Director, American Seal-Kap Corp. Director, Lehn & Fink Products, Inc. Director, National Rubber Machinery Co. Director, Oppenheimer Fund, Inc. Director, Revco D. S., Inc.
JAMES F. MCNAMARA *Rumson, New Jersey*	Metal Consultant Former Vice-president, International Nickel Co., Inc. Director, Lukens Steel Company Director, M.I.F. Corp.
HON. SENATOR SARTO FOURNIER *Montreal, Quebec*	Member of the Senate of Canada Former Mayor of Montreal Member of the Canadian Parliamentary Committee to NATO
VICTOR P. GEFFINE *Palm Beach, Florida*	President, Jubilee Iron Corp. Former Vice-president, Cleveland Cliffs Iron Company Former President, Cliffs Power and Light Company
H. KENNETH GOODYEAR *Grand Falls, Newfoundland*	President, Goodyear Construction Company Director, North Star Cement Ltd. Director, Newfoundland Textile Ltd. Director, Ancros Welding & Mining Supplies Ltd.
ARTHUR R. LUNDRIGAN *Corner Brook, Newfoundland*	Executive Vice-president, William J. Lundrigan Ltd. & its Associated Companies Director, Bank of Montreal, Canada Director, Avalon Telephone Company Director, North Star Cement Ltd.
ADMIRAL H. E. OREM *(U.S.N. Ret.)* *Summit, New Jersey*	Director of Research, Stevens Institute of Technology Chairman of Board of Directors, Valley Metallurgical Processing Co. Director, Norwalk Powder Metals Co.
YVES PARÉ *Montreal, Quebec*	President, Parco Canada Ltd. Chairman of the Board, Parco Drilling & Exploration Co., Ltd. Director, Electric Products, Ltd.
GEORGE PERLEY-ROBERTSON *Ottawa, Ontario*	Partner, Gowling, MacTavish, Osborne & Henderson — Barristers & Solicitors
WILLIAM H. ROXBURGH *Ottawa, Ontario*	Vice-president, Engineering, Canadian Javelin Limited

Executive Committee

JOHN C. DOYLE, JOSEPH M. MCDANIEL, JR., JAMES F. MCNAMARA

EXECUTIVE OFFICERS

JOHN C. DOYLE
Chairman of the Board of Directors and President

GORDON W. MCPHERSON
Vice-President, Sales

W. H. ROXBURGH
Vice-President, Engineering

P. J. DeSANTIS
Treasurer and Secretary

General Counsel

NEWFOUNDLAND: Curtis, Dawe and Fagan, St. John's, Newfoundland
CANADA: Day, Wilson, Campbell & Martin, Toronto, Ontario
UNITED STATES: Steptoe & Johnson, Washington, D. C.

Auditors

Davis, Bishop & Company, Chartered Accountants, Montreal, Quebec

Transfer Agents and Registrars

CANADA
Eastern & Chartered Trust Company
St. John's, Newfoundland • Halifax, Nova Scotia
Montreal, Quebec • Toronto, Ontario

UNITED STATES
The Corporation Trust Company, Jersey City, New Jersey

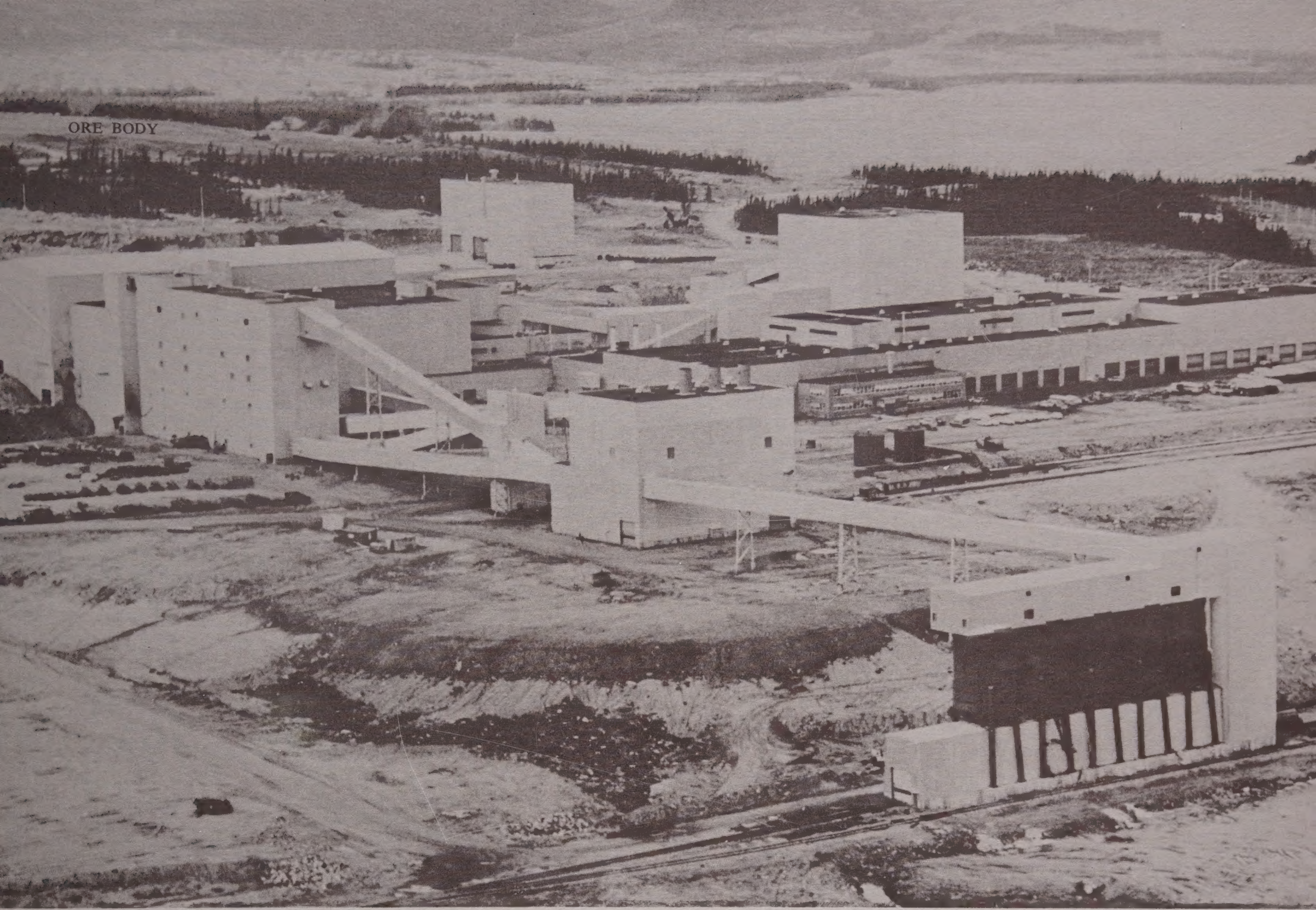
Subsidiary and Affiliated Companies

Inter-American Minerals Corporation
Jack Waite Mining Company
Javelin Pulp & Timber Limited
Javelin Realities Limited
Jubilee Iron Corporation
Javelin Petroleum Limited
Panamanian Minerals Inc.
Julian Iron Corporation
Newfoundland and Labrador Corporation Limited
Simone Iron Corporation
The Javelin Corporation
Javelin Export Limited
Panama-Pacific Steamship Co.
Javelin International Corporation

Directors—Executive Officers—Subsidiary and Affiliated Companies

The Wabush Iron Ore Story

Financial Statements and Auditor's Report



AERIAL VIEW of the Wabush Mines processing Plant now producing iron ore concentrates. Rail loadout bins are at right, front, with conveyor gallery leading from the dryer building. Tall structure at center is the electrostatic separator section, with mill and ore storage buildings immediately behind. Building with truck doors is maintenance shop and warehouse, with mine office building at front. Classifier building is right rear and the crusher is at the extreme right. Part of the ore-body, with overburden removed, is visible in the left background.

THE WABUSH IRON ORE STORY

IT WAS JUST A LITTLE OVER A DECADE AGO that your Company president placed the Wabush Lake Iron deposits, now estimated by steel company experts at more than 1,000,000,000 tons, into Canadian Javelin. It is with pride that Javelin can report today that the riches foreseen for Wabush have begun to materialize and iron ore is now flowing from its mines. This ore now is being produced into iron ore concentrates and into iron pellets.

The consortium of 10 Canadian, United States and European steel companies, which has developed the Wabush Lake property under a 99-year lease from Javelin, has at this time already invested approximately $300,000,000 in this project. These 10 steel companies are: the Steel Company of Canada, Dominion Foundries and Steel Ltd., The Youngstown Sheet & Tube Co., Inland Steel Co., Pittsburgh Steel Co., Interlake Iron Corp., Pickands Mather & Co., Hoesch A. G. of West Germany, Mannesmann A. G. of West Germany and Finsider of Italy.

Substantial amounts of iron ore concentrates are now being shipped from the Wabush plant to the Pointe Noire pelletizing plant and to European consumers. The Pointe Noire plant is operating and pellets are being shipped to Canada and the United States. Ultimately, the annual iron ore production at Wabush should reach 10,000,000 tons.

It should be pointed out, that under terms of its lease with Wabush mines, Javelin will receive a production royalty of 7% of the Seven Islands, Quebec price for each ton of processed iron ore shipped—but not less than 75 cents per ton. Minimum annual royalty payments are $1,800,000 in 1965-1966, $2,400,000 in 1967, $2,500,000 in 1968, $3,100,000 in 1969 through 1972, and $3,250,000 for each year of the lease thereafter.

Thus, the vast, incalculable riches of ruggedly beautiful Labrador are being tapped in a way that Javelin foresaw and in a manner that promises returns for your Company, and for Canada and the North American continent.

That it has taken a mere 11 years for Javelin's Labrador goals to materialize must rank with one of the incredible industrial stories of the time.

Just look what has happened:

Canada, which up to 1939, had been an importer of iron ore, has become not only an exporter, but a major iron ore supplier to the world.

The North American Continent, which after World War II, surveyed its depleted iron ore stocks with justifiable apprehension, today is self-sufficient for all the foreseeable future.

And the trackless wastes of Labrador now are crossed by a railroad complex that provides a vital link with the St. Lawrence Seaway for the safe, inexpensive and swift shipment of Canadian iron ore.

Not all of this can be attributed to your Company, of course. But Javelin can take deep pride in being present at the beginning; a beginning in which it played an important role in opening the now famous southwestern Labrador Trough, where more than $1,000,000,000 have been invested by the Wabush participants and others to mine and process the iron ore.

Canadian Javelin was one of the pioneers in the development of concentrating and pelletizing the Labrador ores. Until these feats could be accomplished the Labrador ores were not commercially acceptable. Now production from this area speaks for itself.

Ten years ago, before Javelin began to explore the Labrador area, no pellets were used in the steel industry. Today, nearly 60% of the steel that comes from the American furnaces comes from pellets.

The pellet, shaped like a small marble, contains 60% to 67% iron ore. It is economical to ship. It produces steel in greater quantities and at cheaper rates than ever before. It has become the answer to the American and Canadian demand for more production at lower prices. It has made American steel manufacturers able to compete with the rest of the world. Here it is significant to point out that there is today an over-abundance of ore—yet an under-supply of pellets.

However, the *Wabush Iron Ore Story* is a long way from completion. That is, as far as Canadian Javelin is concerned.

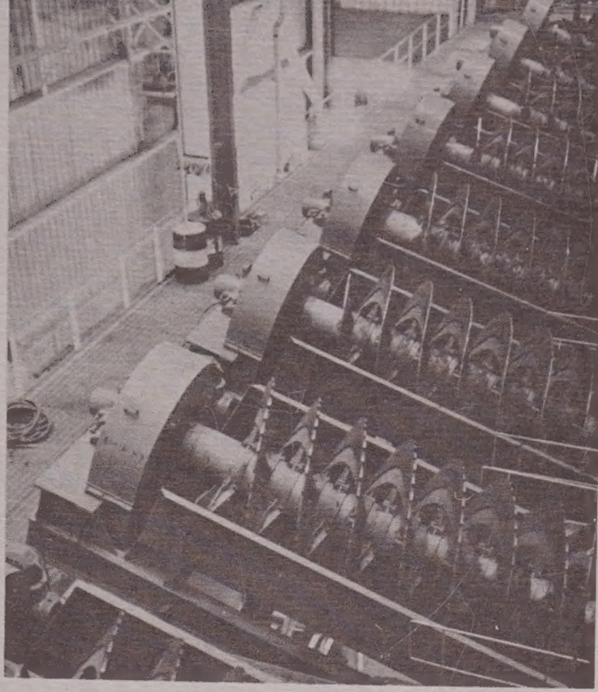
For Javelin owns another iron ore deposit in the Wabush area—this one at Julian Lake.

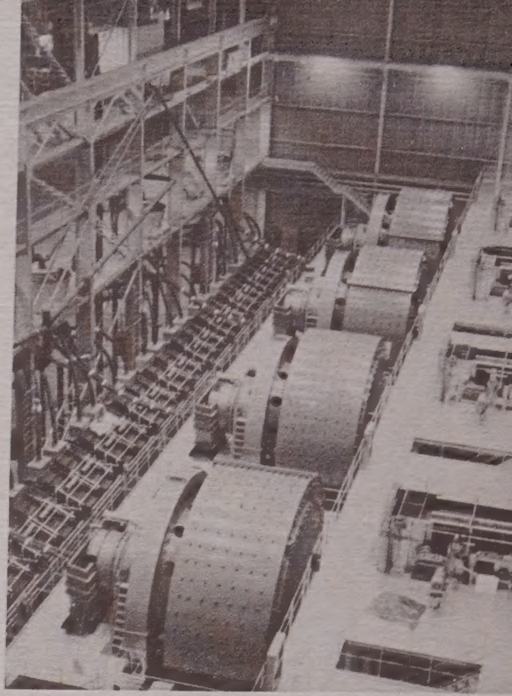
This Javelin property already has a 22-mile heavy duty road hewed through the wilderness from the ore deposits to the town of Wabush. As a matter of fact, this Javelin-built road is the longest in the Wabush area.

Your Company plans to devote its efforts in the future to the development of this iron ore deposit.

Wabush photos continue on next two pages.

1





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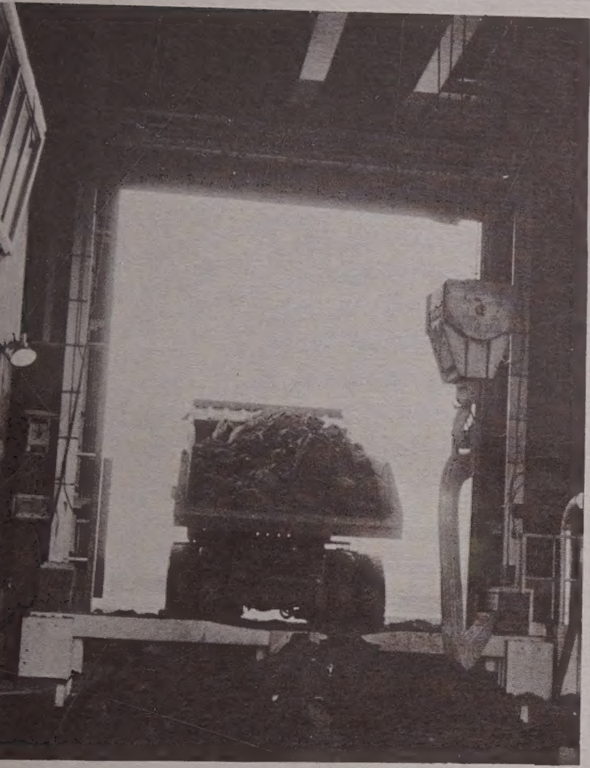

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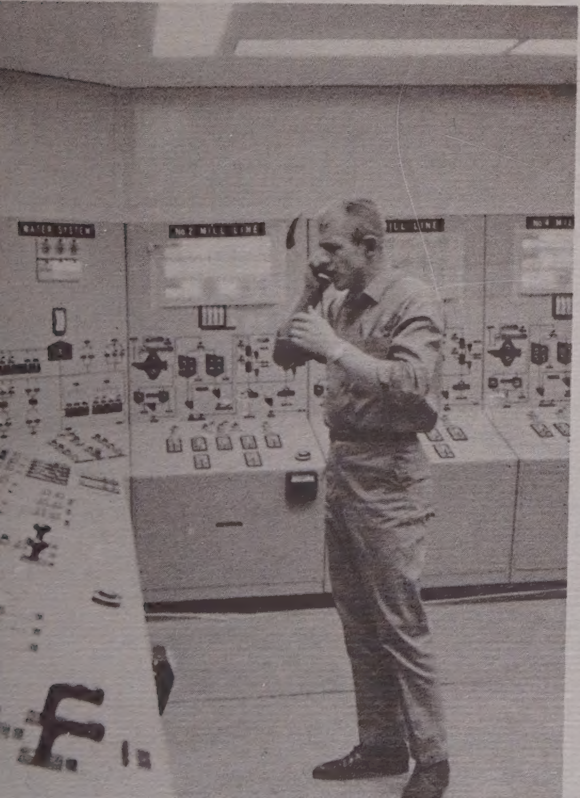

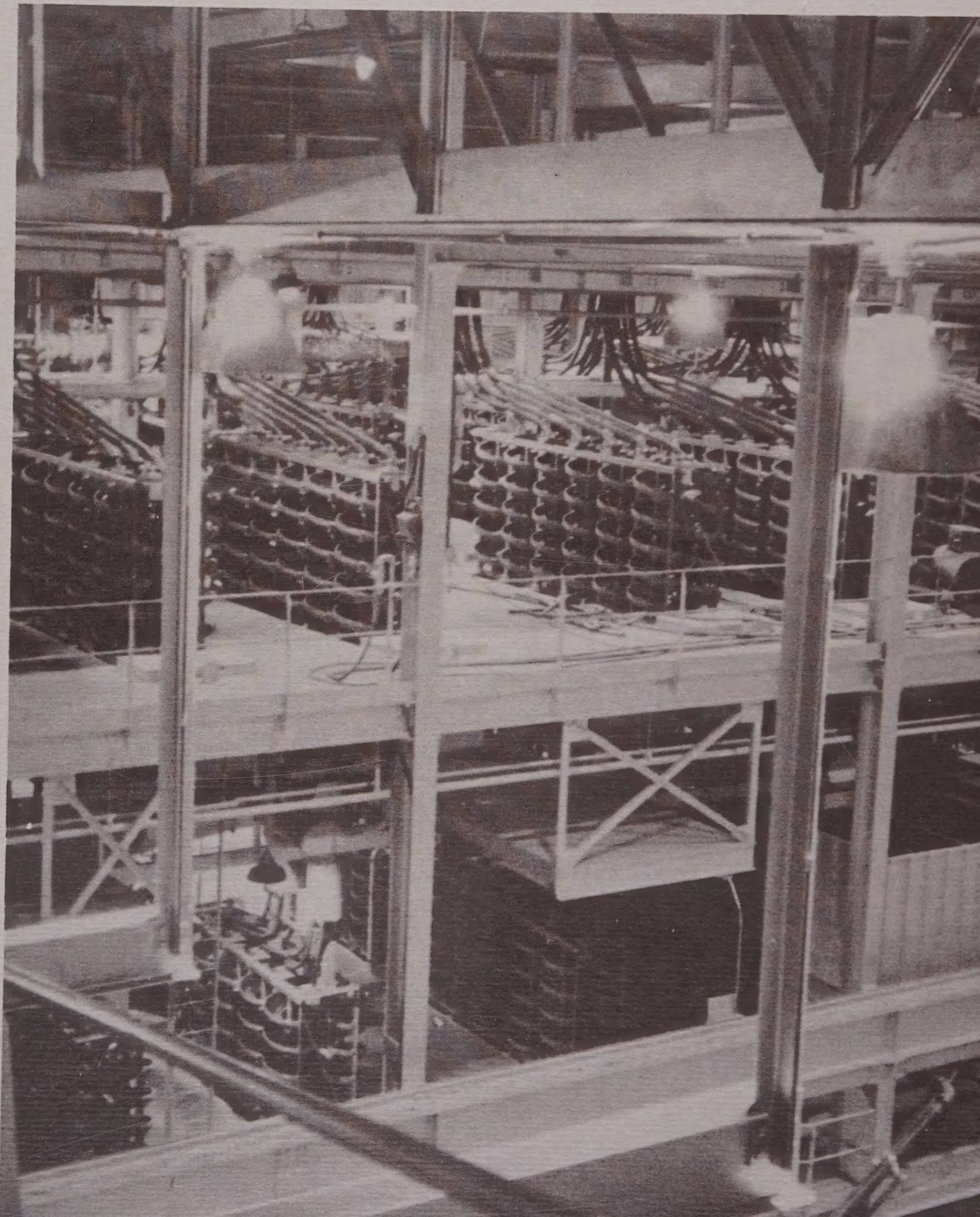

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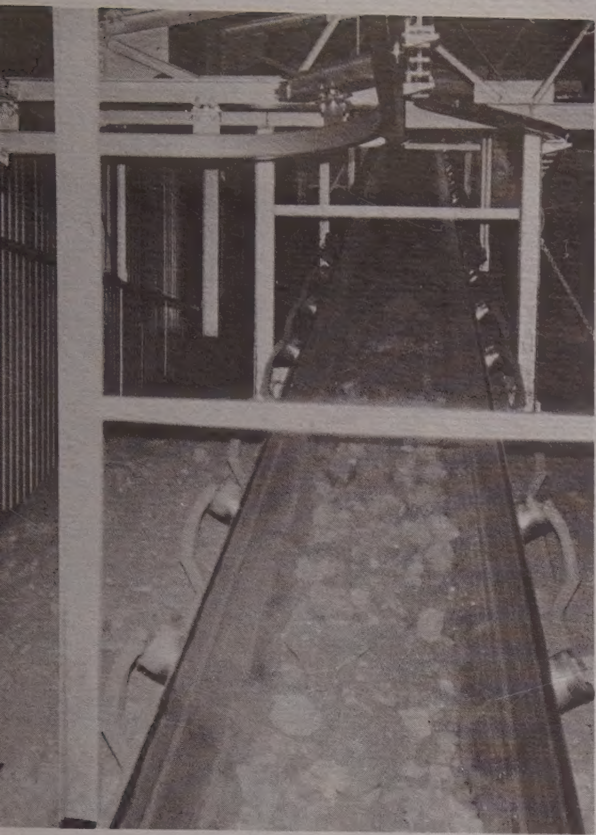

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1 OPERATING the year round, one of the seven huge 8-yard electric shovels loads the crude ore blasted out of the ground into a waiting 55-ton truck for the short trip to the crusher.

2 UNLOADING the crude ore in the building where two mammoth gyratory crushers are located. Each crusher has a daily capacity of 50,000 tons of crude ore.

3 CONTROL CENTER for the vast Wabush plant complex is located in the administration building. Here, every step of the processing operation is monitored from a huge control panel which includes closed circuit television.

4 TAKING the crushed ore from the bottom of the crusher, which goes down 150 feet into the ground, is a five feet wide conveyor belt to bring the ore to the classifier building.

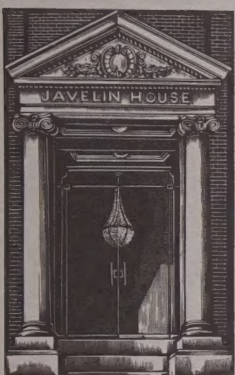
5 SIZING the crude ore into two grades, coarse and fine, is the spiral classifier machinery.

6 MILLING section, where six 24 feet by 8 feet autogenous grinding mills are located. The mills are wet-grinding machines where the ore-on-ore grinds itself. These mills, each driven by 1,750 h.p. motors, are the largest in all Canada.

7 SEPARATING the crude ore from the impurities are banks of Humphrey Spirals where the wet ore is washed through a series of spirals.

8 SPECIALLY designed 100-ton tank cars are used to carry the iron ore concentrates to the pellet plant at Pointe Noire.

STATEMENT
1.



CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1964

ASSETS

Current Assets			
Cash on hand and in banks		$ 30,486	
Royalties receivable (Note-A)		225,500	
Note receivable (Note-B)		500,000	
Other receivables, deposits, prepaid expenses and inventories		32,733	$ 788,719
Non-Current Assets			
Notes receivable–Litigation settlement (Note 19)		2,600,000	
Advances–associated companies		461,463	
Loans and advances–employees and others		22,892	3,084,355
Investments			
Newfoundland and Labrador Corporation (Note 8)		848,843	
Jubilee Iron Corporation (Note 10)		738,557	
Jack Waite Mining Company (Note 11)		85,950	
Integrity Coal Company, Inc. (Note 13)		4,000	
Limited Partnerships–Chile	$2,116,714		
Less: Reserve (Note 12)	2,116,713	1	1,677,351
Fixed Assets at Cost			
Aircraft, property and equipment		575,803	
Less: Accumulated depreciation		311,531	264,272
Mining Claims, Rights, Leases and Concessions (Note 14)			340,470
Accumulated Unrecovered Promotional, Exploratory and Development Expenses–Statement 3 (Note 2)			18,752,733
Organization and Underwriting Expenses			1,322,555
			$26,230,455

Contingent Asset (Wabush Iron Co. Limited (Note 4(b))

LIABILITIES

Current Liabilities			
Bank accommodation (Note A)		$ 376,041	
Accounts payable and accrued liabilities		832,828	
Current maturity–Mortgage principal		5,782	
Current liabilities arising from litigation settlement (Note 19)		453,792	
Account payable–Officer		181,947	
Account payable–Re: Donation to Memorial University of Newfoundland (Note 15(a))		500,380	
Account payable–Canadian Income Tax Settlement (Note 18(b))		300,000	$ 2,650,770
			788,119
			1862651
Other Liabilities			
Liabilities arising from litigation settlement (Note 19)	$1,557,500		
Other deferred liability	84,000		
	1,641,500		
Less: Currently payable	422,500	1,219,000	
Mortgage payable	55,633		
Less: Current maturity	5,782	49,851	1,268,851
Deferred Income			
Advance royalties and other advances applicable against future earned royalties (Note 3(b))			2,271,170

SHAREHOLDERS' EQUITY

Authorized Capital			
12,000,000 shares of no par value (Note 17) (consideration not to exceed $100,000,000.)			
Issued and Fully Paid Capital			
5,192,508 shares of no par value (Note 17)		23,926,225	
Less: (Reduction) of Capital (Note 16)		(198,582)	
		23,727,643	
Less: (Deficit) Account–Statement 2.		(3,687,979)	20,039,664
			$26,230,455

Contingent Liabilities and Commitments (Note 15)

The accompanying notes are an integral part of this statement.

Approved on behalf of the Board

JOHN C. DOYLE, *Director*

JAMES F. MCNAMARA, *Director*

Note–A. Assigned to the extent of $112,500 against bank loans. Also see Notes 18(b) and 19 for other liabilities payable from royalties receivable.

–B. Fully repaid in 1965.

STATEMENT 2.

CONSOLIDATED STATEMENT OF (DEFICIT) ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 1964

Balance (Deficit) at December 31, 1963		($3,241,228)
Add: Canadian federal income tax settlement (Note 18(b))	($300,000)	
Provision to reduce book value of investment in Jack Waite Mining Company and loss on sale of shares thereof (Note 11)	(98,101)	
Acquisition costs of mining claims abandoned and cost of options not exercised in 1964 (Note 14)	(45,650)	
Carrying costs of Integrity Coal Company Inc. (Note 13)	(3,000)	(446,751)
Balance (Deficit) at December 31, 1964		($3,687,979)

The accompanying notes are an integral part of this statement.

STATEMENT 3.

CONSOLIDATED STATEMENT OF ACCUMULATED UNRECOVERED PROMOTIONAL EXPLORATORY AND DEVELOPMENT EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1964

Exploratory and Development Expenses:		
Total to December 31, 1963	$4,600,771	
(Less): Adjustments prior years	(7,804)	
	4,592,967	
Expenses—1964		
Salaries—executive	20,000	
Salaries—other	120,436	
Supplies and rentals	44,828	
Travelling expenses	40,449	
Engineering fees and surveying costs	54,254	
Diamond drilling	40,749	
Insurance	9,499	
Taxes and licenses	9,848	
Miscellaneous	8,825	
Employee benefits	3,856	
Depreciation	6,921	
Camp and cookery expenses	3,696	
	363,361	
(Deduct): Shares of expenses recovered from Jubilee Iron Corporation, Jack Waite Mining Company and Shattuck Denn Mining Corporation	(14,436)	
	348,925	
Total to December 31, 1964		$ 4,941,892
Total Forward		$ 4,941,892

Total Carried Forward		$ 4,941,892
Aircraft Operations:		
Total to December 31, 1963	$2,626,570	
Expenses–1964		
Equipment repairs and maintenance	98,751	
Gasoline and lubricants	88,724	
Salaries and wages	26,735	
Insurance	13,898	
Hangar and port expenses	15,762	
Travel expenses	31,466	
Miscellaneous	6,505	
Depreciation	26,179	
	308,020	
(Deduct): Share of expenses recovered from Jubilee Iron Corporation	(60,566)	
	247,454	
Total to December 31, 1964		2,874,024
Costs of Railway and Townsite Construction Less: Amounts recovered (Note 4(c))		
Total to December 31, 1964 (Net)		1,706,500
Administrative Expenses:		
Total to December 31, 1963	$6,324,390	
Add: Expenses pertaining to prior years		
Legal fees	50,525	
Sundry	3,145	
	6,378,060	
Expenses–1964		
Legal fees	169,726	
Travelling and automobile	182,469	
Salaries–executive	51,400	
Management fees	75,000	
Salaries–staff	43,509	
Consultants' fees	24,662	
Leasehold improvements	1,827	
Printing, stationery and office expenses	11,640	
Rent and light	72,169	
Taxes–other than income	8,857	
Telephone, telegraph and postage	55,654	
Insurance and financial expenses	155,013	
Employee benefits, social security and unemployment insurance	7,614	
Audit, accounting and miscellaneous	83,046	
Directors' and executive committee fees	16,400	
Registrar's and transfer agent's fees	22,412	
Depreciation	20,052	
Building maintenance	8,139	
Sales contracts proposals–preparation cost	4,448	
Donations (Note 15(a))	558,706	
	1,572,743	
(Deduct): Share of expenses recovered from Jubilee Iron Corporation and Jack Waite Mining Company	(30,000)	
	1,542,743	
Total to December 31, 1964		7,920,803
Total Forward		$17,443,219

Total Carried Forward		$17,443,219
Promotional, Public Relations and Reports to Shareholders:		
Total to December 31, 1963	$1,507,737	
(Less): Adjustments prior years	(6,792)	
	1,500,945	
Expenses—1964		
Advertising	1,336	
Reports to shareholders	42,800	
Public relations	25,516	
	69,652	
Total to December 31, 1964		1,570,597
		19,013,816
(Less): Royalties earned (Notes 3(b) and 12)		
Total to December 31, 1964		(261,083)
Total Accumulated Unrecovered Promotional, Exploratory and Development Expenses to December 31, 1964		$18,752,733

The accompanying notes are an integral part of this statement.

DAVIS BISHOP & COMPANY

CHARTERED ACCOUNTANTS

630 DORCHESTER BOULEVARD WEST

MONTREAL 2, CANADA

To the Shareholders of Canadian Javelin Limited.

We have examined the accompanying consolidated balance sheet, statement of deficit account and statement of unrecovered promotional, exploratory and development expenses of Canadian Javelin Limited and subsidiary companies, Inter-American Minerals Corporation (a Delaware Corporation), Simone Iron Corporation (a company incorporated under the provisions of the Quebec Mining Companies Act), Julian Iron Corporation (a Delaware Corporation), Javelin Realties Limited (a Newfoundland Company), The Javelin Corporation (a Delaware Corporation), and Javelin Export Limited (a Bahamas Company) and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet, statement of deficit account and statement of unrecovered promotional, exploratory and development expenses, together with the explanatory notes thereto, are properly drawn up in conformity with accepted accounting principles applied on a basis consistent with that of the preceding year so as to exhibit a true and correct view of the combined financial position of Canadian Javelin Limited and the above-mentioned subsidiaries as at December 31, 1964, and their combined operations for the year ended on that date, according to the best of our information, and the explanations given to us and as shown by the financial records of the companies concerned.

Pursuant to Section 118 of the Companies Act of Canada, we report that the accounts of the wholly-owned subsidiaries, Javelin Pulp and Timber Limited (a company formed under the Companies Act of Canada), Javelin Petroleum Limited (a Newfoundland Company), Panama-Pacific Steamship Co. (a Panama corporation) Javelin International Corporation (a Panama corporation) and Panamanian Minerals Inc. (a Delaware corporation) have not been included in the consolidated financial statements since none of these companies have, as yet, carried on financial operations. Carrying costs of Integrity Coal Company Inc. (a Pennsylvania Corporation) have been fully provided for in the accompanying statements.

DAVIS, BISHOP & COMPANY
Chartered Accountants.

MONTREAL, QUEBEC,

April 30 1965.

NOTES to Financial Statements

DECEMBER 31, 1964

Note 1 — Principles of consolidation:

The accompanying financial statements include the accounts of Canadian Javelin Limited, Inter-American Minerals Corporation, Simone Iron Corporation, Julian Iron Corporation, Javelin Realties Limited and Javelin Export Limited. Intercompany investments and indebtedness, intercompany cash transactions, intercompany exchange of shares and intercompany profits have been eliminated in consolidation.

As of April 30, 1962, Canadian Javelin Limited and subsidiaries' ownership of the outstanding stock of Jubilee Iron Corporation had been reduced to less than 50% of the issued and outstanding stock of that company. As a result, Jubilee Iron Corporation (which was consolidated in prior years) was deconsolidated effective January 1, 1961, and the shares of Jubilee Iron Corporation held by Canadian Javelin and its subsidiaries have since been treated as an investment at net cost.

Integrity Coal Company, Inc. has been inactive since January 1, 1963. The investment therein has been written down to estimated net cash value and the accounts which were consolidated in 1962 and prior years were deconsolidated effective January 1, 1963.

The accompanying financial statements are basically prepared in Canadian dollars. Current assets and liabilities in United States dollars have been converted to Canadian dollars at the rate of exchange on December 31, 1964, which has not varied substantially since that date. Other assets and expenses and revenues are expressed on the basis that the United States and Canadian dollars were at par at the time of the transaction, any differential in exchange rate having been charged or credited to financial expenses.

Note 2 — Accounting policies with respect to mining claims, rights and options, unrecovered promotional, exploratory and development costs:

(a) Mining claims, rights and options —

Reference is made to Note 14. The costs of claims, rights and options are deferred until such time as the properties involved are placed in production, sold or abandoned. If placed in production, the costs will be amortized by charges to income by a unit-of-production method on the basis of estimated proven ore reserves at the date production commences. If sold, the costs will be applied in determining gain or loss on the sale. The costs of properties abandoned will be charged off to income or deficit account as the case may be.

(b) Exploratory and development costs

(c) Aircraft operating expenses

(d) Administrative expenses

(e) Promotional and public relations expenses and reports to shareholders

The above expenses will be deferred until production in reasonable commercial quantities is reached, and thereafter will be amortized by charges to income. In the case of Canadian Javelin Limited, the aforementioned accumulated expenses will be reduced to the extent of net royalties earned and to the extent of any dividends received from NALCO and Knoll Lake Minerals Limited until production in reasonable commercial quantities is reached, such point to coincide with the date agreed upon for taxation purposes by the Department of National Revenue of Canada and Wabush Iron Co., Limited. Thereafter, such costs will be amortized against royalty and other revenues as rapidly as possible.

Subsidiary companies will follow a similar general policy of amortizing such deferred costs against revenues from their respective properties, or, if such properties are abandoned or are not commercially productive, costs will be charged off to income immediately upon determination that further development will not be undertaken.

SHIPPING PORT for the Wabush processed ore is Pointe Noire at Seven Islands, Que. Here, the ore is processed into pellets and ore ships are loaded at the huge dock. Ore is shipped from this point the year round to Canadian, United States and European steel mills.

(f) Costs of Railway and Townsite construction, less amounts recovered —
Reference is made to Note 4 (c) concerning the accounting policy to be followed with respect to such costs.

(g) Commissions and underwriting expenses on capital shares

(h) Organization expenses
It is proposed to write off the above expenses within five years after the respective companies reach production in reasonable commercial quantities, such point to be determined in accordance with the policy set forth following subsections (b), (c), (d) and (e).

(i) Royalties received and receivable and paid and payable: —
As indicated in the policy set forth following subsections (b), (c), (d), and (e) of this note, net royalties earned, that is royalty revenue less royalties paid or payable and applicable to actual production, will be applied in reduction of total accumulated expenses until the point as previously indicated where production in reasonable commercial quantities is attained. Royalty revenue derived solely as the result of minimum payment commitments will be deferred until production and the provisions of the agreements concerned indicate that it is earned. Thereafter, royalties earned will fall into the general revenues of the companies in determining their operating profits or losses.

A GIANT drill boring into a hill, averaging 36% specular hematite. This ore is soft and friable, and quite free-milling.

(j) Dividends from NALCO and Knoll Lake Minerals Limited —
Such dividends as received will be applied in reduction of the aforementioned accumulated expenses until the previously described point of production in reasonable commercial quantities is reached. Thereafter they will fall into the general revenues in determining operating profits or losses. In this connection reference should be made to Note 8 concerning the implications of an agreement entered into on December 11, 1964, between the Government of Newfoundland, NALCO and Canadian Javelin Limited. In the event NALCO becomes a subsidiary of Canadian Javelin Limited, its accounts will be included in the consolidated statements. In such case any inter-company dividends will be eliminated and the Canadian Javelin Limited share of profits or losses of NALCO will be incorporated into the consolidated accounts.

Note 3 — Royalties, and commitments relating thereto:

(a) Royalties paid and payable to NALCO and Knoll Lake Minerals Limited —
By agreement dated March 11, 1954, as amended (herein called the "North Concession Agreement"), the Company acquired from Newfoundland and Labrador Corporation (NALCO) the exclusive right for a period which expires January 1, 1969, to explore, develop, produce, extract and remove all minerals in and from an area of 2,300 square miles in Labrador except such portions of the said area as were then held by other persons under existing valid mining rights. The Company is entitled at any time during the exploration period to request and to receive a development permit or permits for a site or sites of not less than one square mile each but not exceeding fifty square miles in the aggregate which would authorize the Company to develop the site for a period of two years. During the exploration period or the development period the Company is entitled to request and to receive a mining lease for a term of 99 years at a royalty to NALCO for minerals other than iron ore of 10% of the net income derived by the Company from the mining operation on the leased premises. In the case of iron ore, the royalty payable by the Company to NALCO under any mining lease is 3% of the Seven Islands Price (as herein defined) for each ton of iron ore shipped from the leased premises with a maximum royalty of 32¢ per ton. The Seven Islands Price means the price determined by multiplying 17¢ by each unit of iron, natural analysis, contained in each ton of the iron ore shipped from the leased premises. However, in order to provide for an increase in the Seven Islands Price in the event of an increase in the market price of iron ore, the agreement provides that if the published Lake Erie Price at Cleveland, Ohio, of Old Range Non-Bessemer ore analyzing 51.50% iron, natural analysis, exceeds $11.70 United States funds, per ton, then the said 17¢ above shall be increased in the same proportion as the amount of any such excess bears to $11.70.

Pursuant to the terms of the North Concession Agreement, the Company requested and received from NALCO a mining lease, dated May 26, 1956, as amended June 28, 1957 (herein called the "Javelin Mining Lease") in which NALCO demised to the Company about 5.6 square miles (herein called the "Wabush Deposit") in Labrador between Little Wabush Lake and Long Lake for a term of 99 years from May 26, 1956, at a royalty to NALCO of 3% of the Seven Islands Price for each ton of iron ore with a maximum royalty of 32¢ per ton. By separate indenture also dated May 26, 1956, (herein called the "Javelin Grant") NALCO assigned to Javelin the surface rights, which the Newfoundland Government had granted to NALCO for the establishment of a

plant, a townsite and an airport in connection with the mining operations to be carried on under the Javeline Mining Lease, said surface rights being located in three areas near the Wabush Deposit and in the vicinity of Wabush Lake aggregating about 18½ square miles.

On May 15, 1962, the Government of Newfoundland granted mining leases covering the Knoll Lake Area and the Wabush Mountain Area to NALCO which granted similar leases to Canadian Javelin Limited which, in turn, granted a lease known as the "Knoll Lake Mining Lease" covering both areas to Wabush Iron Co., Limited. Royalties payable to NALCO by Canadian Javelin Limited under the aforementioned leases are on the same basis as those described in the preceding paragraphs.

In July 1964, conveyances of the aforementioned leases were made from NALCO to Knoll Lake Minerals Limited (See Note 9).

See Note 7 for details of Julienne Mining Lease also granted under the terms of the North Concession Agreement.

Accumulated royalties paid and payable by the Company under the aforementioned leases, totalled $31,627 to December 31, 1964.

(b) Royalties receivable from Wabush leases — The Company, as lessor, has leased the Wabush Deposit and the Knoll Lake and Wabush Mountain Areas to Wabush Iron Co., Limited. The leases are for terms expiring May 20, 2055 and May 13, 2061 respectively and give the lessees the exclusive right to explore, investigate, develop, produce, extract, remove by open pit or other method of mining process, make merchantable, store or sell all iron ore on, in, or under the leased premises.

Under the terms of the leases, the Company is entitled to receive a royalty of 7% of the Seven Islands Price for each ton of iron ore shipped from the leased premises but not less than 75¢ per ton except in the case of the Knoll Lake Lease where such basis only applies to ore extracted by open pit method and a reduction of 25¢ per ton is allowed for ore extracted by any other means. The Seven Islands Price is defined in the same way in these leases as in The Javelin Mining Lease and the North Concession Agreement, except that the figure of 17¢ per unit is used only for the first 64 units of iron and then it is 10¢ per unit over 64 units. This reduction after 64 units is not necessary in the Javelin Mining Lease because of the maximum royalty of 32¢ per ton. The aforementioned royalties shall be payable to the Company quarterly on or before the 25th day of January, April, July and October in each and every year and calculated on shipments from the demised premises during the calendar quarter immediately preceding the first day of the month in which payment is to be made as aforesaid. Beginning for each calendar quarter during which the lease remains in effect after January 1, 1960, there will be payable a quarterly minimum royalty equal to one-quarter of an amount calculated at the rate of 30¢ Canadian funds per gross ton on the following tonnages:

For the Years	*Per Year*
1960-1964 inclusive	1,500,000 tons
1965-1966 inclusive	6,000,000 tons
1967	8,000,000 tons
1968	8,333,000 tons
1969-1972 inclusive	10,333,000 tons
1973 and each year thereafter	10,833,000 tons

In addition to the foregoing, the Company is to receive a minimum royalty of $1,000. per annum commencing in 1961 with respect to the Knoll Lake Lease.

The Company has received or is due gross payments under the foregoing provisions of $2,254,000 covering the years 1960 through 1964. Of such total $75,149 represents earned royalties and $2,178,851 represents royalties paid in advance and to be applied against future earned royalties. From earned royalties of $75,149 should be deducted royalties paid to NALCO under terms and conditions set forth in Note 3 (a) hereto and totalling $31,627, leaving net earned royalties to December 31, 1964 of $43,522. For the accounting treatment of royalties refer to Note 2 (i). In addition to the aforementioned advance royalties, Wabush Iron Co. Limited paid legal expenses amounting to $92,320 on behalf of Canadian Javelin Limited and in connection with litigation in the State of Ohio, which has also been treated as advance royalties to be applied against future earned royalties.

The lessee has the right to terminate the leases at any time on 60 days' notice and also has the right, within six months after termination, to remove all iron ore products mined or produced prior to termination together with all buildings, plant, machinery, or other articles of the lessee on the premises. The Company may, however, purchase the foregoing at the reasonable market price at the time of termination.

The Company also assigned to Wabush Iron the surface rights in the 18½ square miles near Wabush Lake which were given to it to establish a plant, townsite and airport.

The lessee has agreed to pay to the Government of Newfoundland 22 cents per ton of iron ore shipped from the leased premises in lieu of any taxes that would otherwise be payable by the lessee under the Mining Tax Act of Newfoundland or any other taxes imposed upon mines or companies carrying out mining operations. As stated previously, the definition of Seven Islands Price contains within it an escalation provision, whereby the Company's royalties would be increased in the proportion that the published Lake Erie price of certain ore exceeds $11.70 per ton. The Company has agreed with the Government of Newfoundland that in the event of such escalation, the Company (and not the lessee) will pay to the Government of Newfoundland an equivalent percentage of the 22 cents per ton payable by the lessee; for example, if the Lake Erie price of the ore should increase by 10% of $11.70 and reach $12.87, then the Company would pay to

the Government 2.2 cents per ton for every ton of ore on which the lessee pays 22 cents. The Company had not incurred any liability in connection with the foregoing to December 31, 1964.

Note 4 — Javelin-Wabush Iron Contract:

Amounts received and receivable under the terms of certain agreements between Canadian Javelin Limited and Wabush Iron Co., Limited and the accounting treatment thereof are as follows:

(a) Amounts received prior to December 31, 1959—	
Under the terms of the Javelin-Wabush Iron Agreement dated June 28, 1957, relating to the reimbursement of expenditures, the sale of fixed assets and the sale of 90% of the capital stock of Wabush Lake Railway Company, Limited	$ 2,500,000
Under the terms of an amendment to the above agreement dated April 2, 1958	1,000,000
Under the terms of the Javelin-Wabush Iron Amendment Agreement dated January 30, 1959	1,000,000
(For accounting treatment see subsection (c) of this note)	$ 4,500,000
(b) Amount contingently receivable	$28,225,323

Under the terms of the Javelin-Wabush Iron Amendment Agreement dated January 30, 1959, this amount (composed of $25,000,000 relating to the sale of 10% of the capital stock of Wabush Lake Railway Company, Limited and 10% of the capital stock of Wabush Iron Co., Limited, together with $4,235,257 representing settlement of further sums due to the Company for various outlays, reimbursement for advances, and contract modification less $1,000,000 received on January 30, 1959 and $9,933 applicable to ore shipments to December 31, 1962) will be received as and when iron ore is shipped from the Wabush Deposit leased premises at the rate of 10¢ per ton of iron ore products (as defined in the agreements concerned) but not less than $275,000 per year beginning in 1967. If the Wabush Deposit lease is cancelled by Wabush Iron, as it may do on 60 days' notice, no further payments need to be made, but the mining lease must be surrendered to Canadian Javelin Limited. If Wabush Iron defaults in making the payments of any instalment when due, and which shall remain unpaid for sixty days, it must promptly surrender to Canadian Javelin Limited not only the mining lease but also the title to and possession of all its buildings, plant and machinery on on the leased premises. The 10¢ per ton figure is in addition to the royalty set forth in the Wabush Deposit lease and is subject to increases based on the market price of iron ore.

In view of the fact that collection of this amount is contingent upon performance by Wabush Iron Co., Limited, it has not been recorded as receivable in the accounts of Canadian Javelin Limited.

(c) Accounting treatment of credits arising from amounts received under subsection (a) — Canadian Javelin Limited and its subsidiary, Javelin Realties Limited, invested a total of $6,292,970 in Wabush Lake Railway Company, Limited and construction and related facilities which, under the Javelin Wabush Iron Contract, were transferred to Wabush Iron Co., Limited. In the financial statements the amount of $4,500,000 received in cash prior to December 31, 1959, together with net adjustments to the original costs of $76,537, and $9,933 received under the "10¢ per ton formula" described above have been deducted from the total costs incurred of $6,292,970 and the balance of $1,706,500 has been deferred. It is proposed that such further amounts as may be received under the "10¢ per ton formula" will be applied first to absorb such balance of unrecovered cost.

Note 5 — South Concession Agreement:

By agreement dated March 15, 1955, as amended (herein called the "South Concession Agreement"), the Company acquired from NALCO the exclusive right for a period which expires July 1, 1966, to explore for all minerals in an area of approximately 2,400 square miles in Labrador except such portions of the said area as were then held by other persons under existing valid mining rights.

During the exploration period or the development period, the Company may apply for a mining lease for a Newfoundland subsidiary corporation which the Company would then organize and NALCO agrees to grant to said new subsidiary a mining lease for a term of 99 years under the same terms and conditions as the leases granted under the North Concession Agreement.

The Company has not made any application for a mining lease under the terms of this agreement.

Note 6 — Work currently in progress by Wabush Mines affecting development of the Company's properties:

According to advice from Pickands, Mather & Co., construction work is on schedule for the planned start of production in 1965.

The overall project involves mining and processing installations for over 5 million tons of production annually, plus complete housing and maintenance and service facilities at Wabush Lake. Dock and ore loading storage installations with additional service facilities are at Pointe Noire on the south shore of Sept Iles Bay, Quebec. It also includes a hydro-electric power source near the Hamilton River being jointly developed with others, and railways to connect Wabush Lake with Pointe Noire. Both of these latter facilities are now in operation.

The participants in the development of the project which is being carried out as an unincorporated joint venture known as "Wabush Mines" are the following:

The Youngstown Sheet and Tube Company	(U.S.A.)
The Steel Company of Canada Limited	(Canada)
Interlake Iron Corporation	(U.S.A.)
Inland Steel Company	(U.S.A.)

Dominion Foundries and Steel Limited	(Canada)
Societa Finanziari Siderurgica Finisider per Azioni	(Italy)
Pickands, Mather & Co.	(U.S.A.)
Mannesmann Aktiengesellschaft	(Germany)
Hoesch Aktiengesellschaft	(Germany)
Pittsburgh Steel Company	(U.S.A.)

Wabush Iron Co., Limited is also a joint venturer representing some of the interests of some of the aforementioned companies.

Pickands, Mather & Co. is managing the project as agent for the joint venturers, both in its construction and operating phases.

In addition to the aforementioned $235 million expenditure, Wabush Mines has under construction a $50 million iron ore pelletizing plant at Pointe Noire.

Note 7 — Julienne Mining Lease:

The Julienne Lake area was explored by the Company under the rights granted by the North Concession Agreement. Pursuant to such agreement, the Company has requested and received a mining lease (herein called the "Julienne Mining Lease") by which NALCO demised 1.29 square miles in the Julienne Lake area to the Company for a term of 98 years at a royalty to NALCO of 3% of the Seven Islands Price for each ton of iron ore with a maximum royalty of 32 cents per ton. The Company, by statutory agreement with the Government of Newfoundland, as lessee of the mine was to pay to the Government 22 cents per ton of iron ore shipped from the Julienne Lake Area in lieu of mining taxes, as well as any escalation on the 22 cents as described previously in the Wabush Deposit leases. Under the terms of an agreement dated December 11, 1964, between The Government of Newfoundland, NALCO and the Company, it was agreed that upon implementation of the said agreement the aforementioned 22 cents per ton of iron ore shipped payable to the Government in lieu of mining taxes would be increased to 32 cents per ton. For further information concerning this agreement see Note 8.

Note 8 — Investment in Newfoundland and Labrador Corporation, Limited and Details of transaction with the Government of Newfoundland:

(a) Investment as of December 31, 1964:

As of December 31, 1964, the Company owned 39.4% of the issued and outstanding stock of NALCO while The Government of Newfoundland owned 57.8% and others held the remaining 2.8%. This company is not included in the consolidated financial statements at December 31, 1964, since it was not a subsidiary at that date.

The 425,784 shares of NALCO owned by the Company cost the Company $848,843. The balance sheet of NALCO at December 31, 1964, indicates a book value of $552,193 for the 425,784 shares owned by the Company. It should be noted that such book value consists principally of Unrecovered Exploratory and Development Expenses which have been deferred, to be amortized as deductions from future royalty income from commercial operations under leases which have or may be granted and from mining

VISITORS to the Wabush plant site first see the power lines coming into the plant electric substation. The power is generated at Twin Falls, the hydro-electric installation 110 miles north east of the Wabush plant.

and other operations which may be undertaken by the Corporation in the future.

(b) Transaction with the Government of Newfoundland:

On December 11, 1964, an agreement was entered into between the Company and Newfoundland and Labrador Corporation Limited ("NALCO") and the Government of Newfoundland, and a supplemental letter agreement was entered into between the Company and the Government of Newfoundland on the same date. The Newfoundland Legislature approved the aforementioned agreement by legislation proclaimed April 15, 1965.

Under these agreements, the Company will acquire at the closing 624,013 capital shares, No Par Value, of NALCO presently owned by the Government of Newfoundland. Prior to the closing, the Company owns 425,784 capital shares of NALCO representing a 39.4% interest. After the closing it will own 97.2% of the 1,080,172 outstanding capital shares of NALCO.

The Company agreed to issue to the Government of Newfoundland shares of its capital stock having a market value of $1,000,000 at the date of issue, as determined by the Canadian equivalent of the market price on the American Stock Exchange, and to transfer to the Government of Newfoundland shares owned by the Company in Jubilee Iron Corporation ("Jubilee") having a market value on the Canadian Stock Exchange of $500,000 at the date of transfer. The consideration to be paid was negotiated between the officers of the Company and representatives of the Government of Newfoundland.

Pursuant to the foregoing, the Company on or about April 29, 1965, issued 80,000 shares of its capital stock and transferred 200,000 shares of its holdings in Jubilee Iron Corporation to the Government of Newfoundland.

The final closing shall be at a mutually agreeable time after a listing application with respect to the Company shares to be issued has been approved by the American Stock Exchange. Such listing application was approved on April 9, 1965. The Government of Newfoundland represents that it is taking the Company stock for investment and not with a present intention of publicly distributing it in the United States. The Company agrees to use its best efforts to register such stock with the United States Securities and Exchange Commission if, in the future, the Government of Newfoundland should desire to distribute it publicly in the United States.

The foregoing transaction is conditioned upon the further undertaking by the Company and the Government of Newfoundland to vote their respective interests in Jubilee in favour of the transfer of all assets of Jubilee, subject to liabilities,

LOADING the ore concentrates for the trip to the Pointe Noire pellet plant takes place in the building at the extreme left. Here, the ore cars are automatically filled in a continuous operation.

to NALCO in exchange for a number of NALCO shares to be determined by and based upon an independent appraisal of the respective net asset values of the two companies. The parties recognize that following such transfer of assets in exchange for stock, it is intended that Jubilee will distribute to its stockholders pro rata the NALCO shares received by it. Such mutual undertaking is subject to receipt of a ruling of the Commissioner of Internal Revenue that the distribution of NALCO shares to United States shareholders of Jubilee will be tax-free to such persons and approval at a meeting of the shareholders of Jubilee. As of December 31, 1964, the Company and a wholly-owned subsidiary, Simone Iron Corporation owned 1,286,209 shares of Jubilee, representing a 32% interest, and the Government of Newfoundland owned none.

The agreement also provides for the introduction by the Government of Newfoundland of legislation to amend the Newfoundland and Labrador Corporation Limited Act in certain respects, as discussed below under "Proposed Legislation to Amend NALCO Act."

The Board of Directors of the Company approved the transaction and authorized the issuance of the Company's shares in connection therewith, on December 22, 1964.

No officer, director or principal stockholder of the Company (or any of its affiliates) has any direct or indirect beneficial interest in the stock or assets of NALCO or the consideration to be paid therefor, except their pro rata interest as stockholders of the Company in common with all other such stockholders.

The Company's acquisition of the stock of NALCO will be treated as a purchase for accounting purposes. Upon consummation of this transaction, the Company will consolidate the financial statements of NALCO. The shares of Capital Stock of the Company issued will be recorded on its books at $1,000,000. Upon consolidation, the assets and liabilities of NALCO will be recorded at their current book value and the excess of the consideration paid over such book value will be recorded as an intangible item. After the future exchange of shares of NALCO for the assets of Jubilee, the Company will own approximately 60% of all the outstanding capital stock of NALCO.

HISTORY OF NALCO —

Nalco is a statutory corporation of the Province of Newfoundland which was constituted by the Newfoundland and Labrador Corporation Limited Act, 1951, as amended. NALCO which has its offices in St. John's, Newfoundland, was created by the Newfoundland Government to foster exploration and development of mineral and timber resources in 24,000 square miles of potential mineral lands and in 10,000 square miles of forest properties in Newfoundland and Labrador.

Prior to 1958, the Government of Newfoundland was the largest and controlling stockholder of NALCO. On December 31, 1957, the Company owned 76,672 shares of NALCO out of approximately 1,080,000 outstanding shares. In 1958, pursuant to legislation authorizing the sale of said shares by the Newfoundland Government, the Company and Wabush Iron Co. Limited purchased the Newfoundland Government's stock interest in NALCO.

After such purchase, the Company owned 425,784 shares of NALCO for which it paid $848,843 and Wabush Iron Co., Limited and others owned the remaining 654,216 shares. In July 1964, the Government of Newfoundland reacquired the 625,013 shares owned by Wabush Iron Co., Limited. (See below under "Concessions and Leases Granted by NALCO".)

RIGHTS OF NALCO UNDER NALCO ACT—

Under the NALCO Act, NALCO is granted the exclusive right, for a period ending May 1, 1970, to explore and survey the timber in an area of 9,500 square miles in the Lake Melville area of Labrador, and in an additional area or areas of 1,500 square miles to be selected by NALCO in the general area of the Quebec North Shore & Labrador Railway. Such timber lands are covered primarily by black spruce growth. NALCO is entitled, upon application, to receive a timber lease to cut and remove all timber from any of the foregoing lands. The timber lease shall be for a term of 99 years, on terms normally granted to lessees under timber leases, and renewable at the request of the lesssee for an additional 99 year term. However, the timber lease shall expire on December 31, 1984, unless there shall have been established in the Province a woodworking industry for processing timber into finished wood with a minimum capacity of 500 tons a day. NALCO is required to release lands at the dates stated below held under the timber lease adequate to supply a woodworking industry with a capacity of 500 tons a day unless the woodworking industry established shall have expanded its minimum capacity to (a) 1,000 tons a day by December 31, 1989; (b) 1,500 tons a day by December 31, 1994, or 1,000 tons a day if NALCO previously released lands under paragraph (a); and (c) 2,000 tons a day by December 31, 1999, or 1,500 tons if NALCO previously released lands under paragraphs (a) or (b), or 1,000 tons if NALCO previously released lands under both paragraphs (a) and (b). However, if the timber reserves remaining after such release of lands will not be sufficient to sustain consumption at the then existing rate of consumption by the woodworking industry for the remaining term of the timber lease, NALCO will nevertheless be entitled to retain areas which will provide a supply of timber sufficient to sustain the operation of the woodworking industry. Provision is made for release of timber lands to the Government for higher economic uses upon payment to NALCO of reasonable compensation.

NALCO shall pay to the Government ground rental at the rate of $2.00 per square mile of timber land under lease and not theretofore surrendered. NALCO may, at its option, surrender any areas under lease without affecting the remaining land under lease.

NALCO shall pay to the Government a royalty

on all timber cut and processed or sold, at the rate of $1 per cord of wood cut and sold for processing within the Province, and $2 per cord cut and removed from the Province without processing within the Province. The royalty rates are to adjusted upward or downward annually on the basis of changes in the wholesale price of standard newsprint subsequent to January 1958. Such increase or decrease shall be in the same proportion that the percentage of increase or decrease of wholesale standard newsprint prices in January of each year bears to such prices in January 1958. NALCO shall be entitled to receive any more favorable royalty rates which may be accorded by the Government to any other lessee of more than 1,000 square miles, in the aggregate, of timber lands. A minimum annual royalty of $150,000 shall be payable under the timber lease, but NALCO may set off any unearned minimum royalty against production royalties coming due in excess of the minimum annual royalty in any subsequent year. The obligation to pay an annual minimum royalty shall cease upon the establishment in the Province of a woodworking industry having a minimum capacity of 500 tons a day.

NALCO may not remove from the Province more than 100,000 cords of wood (including chips) in any calendar year, but this limitation does not apply to saw logs or processed wood.

The Government granted to NALCO as ancillary to the timber rights certain river and water rights and sand and gravel rights.

NALCO is also granted mineral exploration leases with exclusive prospecting and exploration rights in 9,500 square miles in the Lake Melville area of Labrador, 9,700 square miles near the South Coast of Newfoundland, 4,775 square miles in southwestern Labrador, 400 square miles on the Burin Peninsula, and ten square miles comprising all of Red Island. The exploration leases expire March 31, 1978. NALCO is obligated to expend on mineral exploration and investigation the sum of $400,000 during each five-year period, the first of which commences June 28, 1957, provided that any excess expenditures in one five-year period may be credited against NALCO's obligation for any succeeding five-year period; otherwise the exploration leases terminate except as to those areas for which mining leases have previously been granted. NALCO is further required to surrender 8,000 square miles of such mineral lands by April 1, 1963 and 4,100 square miles on each of April 1, 1968 and April 1, 1973, such areas to be selected by it. NALCO is entitled to receive exclusive 99-year mining leases on areas selected by it, together with all necessary rights and use over the surface of the demised premises, such leases to be renewable by NALCO for an additional 99-year period. Under such leases, NALCO shall have the exclusive right to develop, extract and process all minerals both metallic and non-metallic including petroleum, natural gas and related hydrocarbons whether in or under the land. The Government reserves to itself surface rights and sand and gravel rights not specifically granted to NALCO.

NALCO or such person, firm or company actually carrying on mining operations for iron ore under any mining leases shall pay to the Government a sum to be determined at the rate of 22¢ per ton for every ton (gross ton of 2240 pounds) of iron ore products mined and shipped from the premises demised by any such lease, provided, however, that if the published Lake Erie price at Cleveland, Ohio, of Old Range non-Bessemer Ore analyzing 51.50 percent iron, natural analysis, at the time of any shipment exceeds $11.70 United States funds, per ton, then the rate of 22¢ per ton for each such shipment shall be increased in the same proportion as the amount of any such excess bears to $11.70 United States funds. Such payment shall be in lieu of all taxes which would otherwise be imposed under the Mining Tax Act of Newfoundland or other taxing statutes applicable to mining operations or products:

For mining leases with respect to other than iron ore, NALCO, or its assignees or transferees, shall pay to the Government in respect of minerals other than iron ore a tax as computed under The Mining Tax Act at the maximum rate of 5% or any lower rate then in force, and in respect of petroleum, natural gas and related hydrocarbons a royalty not exceeding 12½% of the wholesale value at the wellhead.

In addition to the specific royalties and rentals described above, NALCO is obligated to pay to the Government of Newfoundland a rental equal to 8% of its net profits, as defined, in each year attributable to operations the subject of which are any concessions and rights granted or to be granted under the NALCO Act, excluding any profit arising out of the exploitation, production, sale or other dealing with or disposal of iron ore. In computing net profits, a deficiency in any year may be set off by NALCO against the first subsequent surpluses.

NALCO may assign, transfer, lease or otherwise dispose of any property or rights belonging to or held or exercisable by it, including its mineral exploration and mining rights and its timber concession.

The Government agrees to grant to NALCO such additional surface rights as may be reasonably necessary in connection with its operations, on terms and conditions to be agreed upon at the time of grant.

NALCO itself or through assignees, was obligated to expend within a period of five years from the date of passage of the original NALCO Act, a sum of not less than $1,000,000 for exploration and investigation, which obligation has been performed.

CONCESSIONS AND LEASES GRANTED BY NALCO —

For details of the "North Concession Agreement" see Note 3(a).

For details of the "Julienne Mining Lease" see Note 7.

For details of leases covering Knoll Lake and Wabush Mountain areas see Note 3(a).

For details of the "South Concession Agreement" see Note 5.

On August 8, 1961, NALCO granted to the Company the right to explore for and develop mineral deposits in an area of 400 square miles on the Burin Peninsula. This agreement expired June 30, 1964 without the Company having made any application for a mining lease thereunder.

By an agreement dated July 1, 1963, NALCO granted to Pickands, Mather & Co., exploration rights in the Hermitage Bay Area of Newfoundland. Pickands, Mather & Co. is entitled to apply for a mineral lease on a portion of such area, upon payment to NALCO of $125,000 cash and a royalty of 2% of the gross value of ore shipped from the leased premises. Pickands, Mather & Co. is required to expend for exploration at least $30,000 in the first year after the agreement and $90,000 in the second year. No lease has yet been applied for.

NALCO has not applied, as yet, to the Government of Newfoundland for a timber lease.

PROPOSED LEGISLATION TO AMEND NALCO ACT –

By the agreement of December 11, 1964, the Government of Newfoundland undertook to introduce legislation at the next sitting of the House of Assembly for the Province of Newfoundland to amend the NALCO Act as follows: (Such legislation was proclaimed on April 15, 1965.)

(a) To extend the timber concession to April 1, 1977.

(b) To extend the date on which the timber lease shall expire unless a 500 ton per day woodworking industry shall have been established to December 31, 1990.

(c) To extend the dates by which NALCO must surrender timber areas adequate to supply a woodworking industry of a capacity of 500 tons a day unless the woodworking industry expands to 1,000 tons, 1,500 tons and 2,000 tons to December 31, 1995, December 31, 2000 and December 31, 2005 respectively.

(d) To increase the royalty payable by NALCO upon the cutting, processing and sale of timber to $1.50 per cord of wood cut and sold for processing within the Province and $2.50 per cord cut and removed from the Province without processing within the Province.

(e) To extend the date on which NALCO must surrender 8,000 square miles of mineral lands to the Government to April 1, 1970 and the dates on each of which it must surrender 4,100 square miles to April 1, 1975 and April 1, 1980.

(f) To extend the mineral exploration leases to March 31, 1985.

(g) The first five-year period during which NALCO will expend money on exploration and investigation under the mineral exploration leases is to commence on April 1, 1965, and the amount to be expended in each five-year period, subject to credits for excess expenditures in any previous five-year period, is increased to $1 million.

(h) The Government agrees to grant certain specific water power rights, surface rights, water rights for floating, storing and driving logs, and right-of-way for a pipeline to float logs as may be reasonably necessary for the erection and operation of a pulp and/or paper mill, woodcutting operations, and other purposes incidental thereto.

(i) Rights to lands previously surrendered to the Government by NALCO shall be revested in NALCO, except those which may have been since granted by the Government to other persons. It was also agreed between the parties, in order to reimburse the Government for any loss of dividends on its shares in NALCO, that legislation shall be introduced at the next sitting of the House of Assembly for the Province of Newfoundland to amend the Julienne Lake (Mineral Lands) Act, 1959 and the Statutory Agreement executed pursuant thereto, to increase the iron ore royalty with respect to the Julienne Lake lease from 22¢ to 32¢ per gross ton of iron ore products mined and shipped from the premises, subject to escalation. (See description of lease above under "Concessions and Leases Granted by NALCO".)

WORK CAMP used by workers who built the Julian 22-mile road to Wabush. The workers at the same time stripped some of the overburden from the Julian ore deposits.

Note 9 — Investment in Knoll Lake Minerals Limited:

The iron ore mine of Wabush Mines is in the Province of Newfoundland but the docks and shipping facilities are at Pointe Noire in the Province of Quebec. When it was decided to build a pellet plant for the pelletizing of the concentrate from Wabush Mines, economic studies indicated the advisability of building the pellet plant at Pointe Noire in the Province of Quebec. However, the Province of Newfound-

land believed that the pellet plant, as ancillary to the mine, ought to be built in the Province of Newfoundland. After lengthy negotiations, construction was undertaken in Quebec and the Wabush Mines companies agreed to transfer their shares of NALCO to the Province of Newfoundland without compensation after NALCO had conveyed to a new corporation, to be owned by the stockholders of NALCO in NALCO stock proportions, the mineral rights and leases held by NALCO in the so-called Wabush Lake Area and generally referred to as the Wabush Lake-Wabush Mountain and Knoll Lake Leases. To accomplish this purpose, a new company, Knoll Lake Minerals Limited (Knoll Lake), was incorporated under the Companies Act of Canada with the same number of issued shares as NALCO. The aforementioned conveyances of mineral rights and leases were effected followed by the transfer of Wabush Mines companies' shares in NALCO to The Government of Newfoundland in July 1964.

Knoll Lake Minerals Limited issued 1,080,172 no par value shares at one cent per share on or about April 1, 1964. The Company received 425,784 shares or 39.4% of the total shares issued thus maintaining the former percentage interest it held in NALCO. As of December 31, 1964, Knoll Lake shares were held as follows:

Stockholder	Number of Shares	Percentage of Outstanding Stock
Dominion Foundries and Steel Limited	93,601	8.7 %
The Steel Company of Canada Limited	146,643	13.6 %
The Royal Trust Company as Trustee for—		
Wabush Securities Corporation	358,809	33.2 %
Mannesmann Canadian Iron Ores Ltd.	12,480	1.15%
Hoesch Iron Ores Ltd.	12,480	1.15%
Canadian Javelin Limited	425,784	39.4 %
Others	30,375	2.8 %
	1,080,172	100.0 %

The Wabush Mines companies will continue to have, through Knoll Lake, the same interest in the mineral rights and leases in the Wabush Lake Area as they formerly had through NALCO, but they have transferred to the Province of Newfoundland their interest in the other rights and assets of NALCO. The other shareholders of NALCO, including Canadian Javelin Limited, continue in the same position with respect to all of NALC0's assets, including the Wabush Lake Area, as before these transactions, having precisely the same proportionate interest in all such assets, through Knoll Lake and NALCO, as they formerly had through NALCO alone.

The mineral rights and leases generally referred to as the Wabush Lake and Wabush Mountain and Knoll Lake Leases formerly held by NALCO (Note 3(a)) are now held by Knoll Lake which will thus receive the 32 cents per ton royalty therefrom which would otherwise have been income of NALCO.

Under an agreement between the Company and Wabush Iron, the Company had the right to designate two nominees for the Board of Directors of NALCO and so long as the Company owned at least 39% of the outstanding shares of NALCO, Wabush Iron would vote its shares for the election of said nominees. The Code of Regulations of NALCO provided that no additional shares of NALCO stock may be issued without the affirmative vote of holders exercising at least 75% of the voting power. Wabush Iron and the Company also agreed that they would require NALCO to declare and pay dividends at the end of each calendar year equal to the royalties received by NALCO under the Javelin Mining Lease and in connection with the Julienne Lake property, after deducting actual operating and administrative expenses for the year and for prior years to the extent that such have not been recovered, provided, however, that such deductions for any calendar year would not exceed $100,000. In addition, adequate allowances for income taxes properly allocable to such royalties would also be deducted. The Company has been informed that Pickands, Mather & Co. will arrange for the execution of letter agreements with respect to Knoll Lake similar to those which applied to NALCO relating to dividend payment policy, representation on the Board for Canadian Javelin Limited and the issue of further capital stock, except that whereas there were seven directors on the Board of NALCO of which two were nominated by Canadian Javelin, the Board of Knoll Lake consists of five members of which one will be nominated by Canadian Javelin.

As of December 31, 1964, the principal asset on the books of Knoll Lake Minerals consisted of deferred exploration and development expenses of approximately $127,000.

Note 10 — Investment in Jubilee Iron Corporation:

As of December 31, 1964, Canadien Javelin Limited and Simone Iron Corporation, a wholly-owned subsidiary held 1,286,209 or approximately 32% of the issued and outstanding shares of Jubilee Iron Corporation.

The position with respect to the aforementioned shares was as follows:

Held under the terms of an escrow agreement by Eastern & Chartered Trust Company	899,993
Reserved for guarantee of a pledge to The Memorial University of Newfoundland (Note 15(a))	200,000
Reserved for settlement of liabilities	14,500
Uncommitted	171,716
	1,286,209

Canadian Javelin Limited may acquire additional shares of Jubilee Iron through transfer of an account receivable from Jack Waite Mining Company to Jubilee Iron (Note 11) and through settlement of the inter-company account balance.

In accordance with an agreement between the Government of Newfoundland and the Company, 200,000 shares were transferred to the Government on or about April 29, 1965. See Note 15(a) for further details.

As of December 31, 1964, the share status of Jubilee Iron Corporation is summarized as follows:

Total shares issued and outstanding	4,012,200
Options outstanding to purchase unissued shares subject to approvals of The Regulatory Authorities Concerned	455,500
Unissued shares reserved	500,500

The general policy has been to apply full proceeds from transfers of Jubilee Iron Corporation stock against the original cost. The net consolidated book cost per share on the foregoing basis at December 31, 1964 was $0.574.

Quoted market price per share $3.45 (approximately) (Canadian Stock Exchange April 29, 1965.)

Shares of Jubilee Iron Corporation have been registered with the Ontario and Quebec Securities Commissions and have been listed and admitted for trading on the Canadian Stock Exchange, Montreal, Quebec.

For details of the proposed disposition of the net assets of Jubilee Iron Corporation see Note 8.

Note 11 — Investment in Jack Waite Mining Company:

In 1962, Canadian Javelin examined properties in El Salvador and Honduras on behalf of Jack Waite and charged expenses in connection therewith together with a proportion of overhead charges.

On October 31, 1963, Canadian Javelin Limited, Jubilee Iron Corporation and Jack Waite Mining Company entered into an agreement whereby Jubilee Iron would assume the costs mentioned in the preceding paragraph amounting to $82,345, and would assume all development expenses thereafter in return for the transfer of the properties concerned to it. In addition, the agreement provides for payment to Jack Waite Mining Company of a portion of any net profits realized from the exploration of the properties. However, the implementation of the transfer of the properties and the aforementioned receivables is subject to ratification at a meeting of the shareholders of Jack Waite Mining Company and approval by the various regulatory authorities having jurisdiction. Since the necessary authorizations have not yet been obtained, the position at December 31, 1964 and as reflected in the accompanying financial statements was that all of the expenditures by Canadian Javelin Limited are set forth as an account receivable from Jack Waite Mining Company. If, and when, the necessary authorities are obtained, such receivable to the extent of approximately $248,589 will become receivable by Canadian Javelin from Jubilee Iron Corporation.

As of December 31, 1964, Jack Waite Mining Company had a total of 5,253,045 shares issued and outstanding of which 859,500 or 16.3% were held by Simone Iron Corporation, a wholly-owned subsidiary of Canadian Javelin, subject to the terms of an escrow agreement. Average cost per share to Canadian Javelin Limited and Simone Iron Corporation was $0.21.

Jack Waite Mining stock was suspended from trading on the Toronto Stock Exchange during the week of February 17, 1965, and is now traded over the counter in Toronto. It is still listed for trading on the Spokane and San Francisco Exchanges.

GETTING READY to make their daily inspection of the 22-mile Julian-Wabush road are three members of the Canadian Javelin work team.

The Company suffered a cash loss on the sale of free shares of Jack Waite of $13,703 which was charged to Deficit Account in 1964. In addition, an arbitrary provision for possible diminution in value of the escrowed shares was made to reduce their book value to 10 cents per share. This provision amounted to $84,398 and was also charged to Deficit Account in 1964.

The Company intends to propose a reorganization of Jack Waite Mining Company which will be subject to approval at a meeting of its shareholders and approval of the regulatory authorities involved.

Note 12 — Investment in limited partnerships—Chile:

The cost to Canadian Javelin of this investment was $2,116,714 and represents 99% ownership of the following Chilean organizations–

Compania Minera El Inca Limitada
Compania Minera Chango Limitada
Compania Minera Alacalufe Limitada
Compania Minera Diaguito Limitada

The investment in these organizations was written down to a nominal value of $1 by a charge to deficit account in previous years and no further adjustment has been made to date.

Compania Minera El Inca Limitada owned the rights to exploit the iron ore contents of the Carmen de Sierra Aspera Mine for an indefinite period. Such rights were released by the company to Compania Minera Santa Fe which operates the mine and pays royalties to Compania Minera El Inca Limitada.

THIS WAS WABUSH 10 years ago when Canadian Javelin geologists and engineers put down test pits into the ore body. Bulk sampling of ore was made from these pits.

Compania Minera Chango Limitada had leased the rights to exploit the iron ore contents of the Cerro Negro Mine for a period of twenty years from November 17, 1954. Such rights were also released to Compania Minera Santa Fe which operates the mine and pays royalties to Compania Minera Chango Limitada.

The other two companies were inactive in 1964.

Operating results in Escudos as set forth in certified financial statements for the year ended December 31, 1964, were as follows:

	El Inca	El Chango	Total
Gross Royalties Earned	319,233 E.	128,103 E.	447,336 E.
Expenses	(74,204)	(23,134)	(97,338)
Income Taxes	(111,869)	(48,078)	(159,947)
Net Income	133,160 E.	56,890 E.	190,050 E.

Conversion of the total net income for the year at the rate of 3.42 escudos to the U.S. dollar results in an amount of approximately $55,500 U.S. Such earnings have not been reflected in the accompanying financial statements.

As of December 31, 1964, approximately $140,000 U.S. of accumulated earned surplus was available for remittance to Canada subject to authorization from the Central Bank of Chile and to the availability of exchange.

The Company has received $217,650 to date from these organizations all of which has been applied in reduction of accumulated unrecovered costs. Due to difficulties involved in transfers of funds, none were made in 1964 and it is the present policy to re-invest earnings in Chile.

The acquisition of the foregoing investments was a cause of action in litigation. The settlement of such litigation is set forth in Note 19 hereto.

Note 13 — Investment in Integrity Coal Co., Inc. and accounting treatment:

This company was completely inactive during 1963 and 1964 and was sold on January 15, 1965 for a net amount of approximately $4,500. As a result of the foregoing, the accounts of this company, which were consolidated in 1962 and prior years, were deconsolidated effective January 1, 1963, and the investment has been written down to estimated realizable value.

Note 14 — (a) Mining claims, concessions, rights and options at December 31, 1963:

The Company's properties at December 31, 1963, consisted of the Wabush Deposit described in Note 3(a) and the Julienne Lake Deposit described in Note 7. In addition, the Company holds exploration rights in the concession areas described in Notes 3(a) and 5.

For record purposes in consolidation, the aforementioned properties and rights are set forth in the accompanying financial statements at a nominal value of $1. The costs of acquiring and developing such properties are included in accumulated unrecovered expenses. Costs of acquisition and development of properties which have been abandoned have been written off to Deficit Account.

(b) Claims and rights acquired in 1964:

(i) In 1964, Canadian Javelin Limited acquired 465 claims in the Timmins area of Ontario and 144 claims in the Senneterre area of Quebec. To acquire the aforementioned claims, the Company transferred 143,800 shares of its holdings of Jubilee Iron Corporation stock with an agreed cash value of $335,598. Cash costs including balances of purchase price, registrations and staking costs totalled $50,522 of which $3,900 represented payments on options which were not exercised and which was written off to Deficit Account. Exploration work is being carried out on some of these claims but no commercial ore bodies have thus far been discovered.

Some of the aforementioned claims are registered in the name of Jubilee Iron Corporation but all are beneficially owned by Canadian Javelin Limited.

(ii) By letter agreements dated November 2, 1964, and March 29, 1965, Canadian Javelin agreed to sub-lease from Jubilee Iron Corporation 97 claims situated in the Electoral District of Saguenay, Province of Quebec, in terms as near as may be to the presently subsisting leases between Canadian Javelin Limited and Wabush Iron Co. Limited provided, however, that the minimum royalties or payments in lieu therefor shall be subject to further negotiations between the parties. The

claims involved comprise the iron ore deposits of Jubilee Iron Corporation.

Note 15 — Contingent Liabilities and Commitments:

(a) The Board of Directors of Canadian Javelin Limited has approved a donation to the Memorial University of Newfoundland in the amount of $500,000. At a meeting of the Board of Directors held on May 8, 1963, authority was granted to the officers of the Company to deposit sufficient of the Company's holdings of shares of Jubilee Iron Corporation to guarantee the aforementioned pledge. In accordance therewith, on October 3, 1963, Eastern & Chartered Trust Company was instructed to set aside 200,000 shares of Jubilee Iron Corporation owned by Canadian Javelin Limited to be sold or delivered pursuant to the terms of any direction which may be given by The Bank of Montreal, Cornerbrook, Newfoundland, the proceeds to be applied against the costs of construction of a residence at The University of Newfoundland. Further, in accordance with its pledge, the Company assumed a direct liability to a contractor for construction at the University in the amount of $556,380 against which $56,000 has been paid as at December 31, 1964. 200,000 shares of Jubilee Iron Corporation remained set aside as a guarantee of payment of the balance.

(b) Canadian Javelin Limited is guarantor of rentals payable by the lessee under a lease with Canada House (New York) Limited as lessor covering premises at 680 Fifth Avenue, New York, N.Y., for a period of 10 years and 3 months commencing February 1, 1959, at an annual rental rate of $31,500.

(c) See Note 19 for commitment of royalties receivable, against orders of payment issued by the Company to Wabush Mines.

(d) Pursuant to the stock option granted to Mr. Doyle on April 3, 1964 (Note 17(b)), he entered into an employment contract with Javelin Export Limited, Nassau, The Bahamas, a wholly-owned subsidiary of Canadian Javelin Limited, wherein Mr. Doyle undertook to make his services available to Javelin Export Limited and to its parent (Canadian Javelin Limited) and affiliates for a period expiring April 3, 1967, at the rate of $100,000 U.S. per annum, payable on or before April 3, 1967. Such compensation is in lieu of any compensation from Canadian Javelin. The agreement is only terminable by Javelin Export Limited for cause or in the event of the incapacity of the employee, as defined in the agreement.

Note 16 — Reduction of paid-up capital of Canadian Javelin Limited through distribution of shares of Jubilee Iron Corporation:

In accordance with authority granted by the Secretary of State of Canada to Canadian Javelin Limitec through supplementary letters patent dated December 28, 1960, the Board of Directors authorized the distribution of 486,721 shares of Jubilee Iron Corporation owned by Canadian Javelin, on the basis of one share of Jubilee for each ten shares of Canadian Javelin held, to shareholders of record December 28, 1960. Such distribution was from 2,174,000 shares of Jubilee held by Canadian Javelin at the time. The average cost of such shares to Canadian Javelin was $.408 per share so that upon distribution the reduction in capital per share of Javelin was $.0408 on the one-for-ten basis. The foregoing distribution has been accounted for by a deduction from the paid-up capital account of Canadian Javelin of $198,582 and a similar reduction in the book value of its holdings of Jubilee shares.

Note 17 — Capital Stock

(a) Issued in 1964–

	Shares
In settlement of termination of employment of a former officer of the Company	10,000
In settlement of legal fees	1,220
	11,220

(b) Options granted in 1964–

At a meeting of the Board of Directors held on May 13, 1964, a stock option plan for employees, officers and directors of Canadian Javelin Limited and subsidiary companies was adopted. Subsequently, the plan was approved at a meeting of the shareholders on July 15, 1964, and a listing application therefor was approved by the American Stock Exchange on January 25, 1965. The plan covers 325,000 unissued shares of Canadian Javelin Limited against which options have been granted totalling 293,500 shares. The options are exercisable at any time during a period of three years from the granting date. In no event may any options be exercised unless the exercisor thereof shall have had at least six months of continuous service to the Company as director, officer or employee. Optionees, who may at the time of the exercise of their options, be United States citizens, may exercise their options in whole or in part at a price of $11.00 (U.S.) per share, representing the average market value of the shares on April 3, 1964, when the options were voted and allocated. Optionees, who may at the time of the exercise of their options, be citizens of Canada, may exercise their options in whole or in part at a price of $9.25 (U.S.) representing the average effective price of the last two underwritings by the Company. The option to Mr. John C. Doyle shall, notwithstanding the foregoing, be exercisable in whole, or in part, at the price of $12.00 per share (U.S.). The option to Mr. Doyle is conditional upon his execution of a three year employment agreement (Note 15d) at a compensation of $100,000 (U.S.) per year. All payments to the Company on account of the exercise of such options shall be made in the Canadian equivalent of U.S. dollars as computed in terms of the relative value of U.S. and Canadian currencies as of April 3, 1964.

(c) Reserved at December 31, 1964–

	Shares
For issue under the terms of a stock option plan for employees, officers and directors of Canadian Javelin Limited and subsidiary companies (for details see subsection (b) of this note)	325,000

For issue to The Government of Newfoundland as part consideration in exchange for 59.8% of the capital stock of Newfoundland and Labrador Corporation (NALCO) — (These shares were issued on or about April 29, 1965.)	80,000
For private placement subject to approvals of regulatory authorities concerned	200,000
	605,000

Note 18 — Litigation affecting Canadian Javelin Limited:

(a) On August 7, 1963, a United States grand jury indictment charging violations of Section 5 and Section 17 of the Securities Act of 1933 against Mr. John C. Doyle, President of the Company, and three others, was made public in the United States District Court in New Haven, Connecticut. The indictment applies to acts which occurred prior to July 1, 1958. Charges against the three other defendants were dropped on or about July 27, 1964. On February 4, 1965, Mr. Doyle pleaded guilty to one count of unlawfully sending unregistered stock of Canadian Javelin Limited through the mails for sale or delivery after sale. Other counts may be dropped when sentence is passed. The Company was not indicted.

(b) Assessments were made against the Company by the Department of National Revenue of Canada for failure to deduct 15% non-resident tax on dividends deemed to have been paid to Mr. John C. Doyle, President of the Company, in the years 1955 and 1957. In connection with the foregoing, proceedings were taken by the Department for seizure of all monies owing to the Company or to become owing to the Company by Wabush Mines. The assessments were appealed to The Income Tax Appeal Board, and the proceedings were being contested in The Exchequer Court of Canada. On April 23, 1965. Pursuant to an agreement between the Company and the Department, wherein the Company agreed to pay and did pay the sum of $300,000 to the Department, the aforementioned assessments are to be withdrawn and the Exchequer Court of Canada issued a discharge of seizure releasing monies owing to the Company by Wabush Mines. The amount of $300,000 is set forth in the accompanying statements as a liability. The Company has reserved its rights, if any, to claim reimbursement from Mr. Doyle under the applicable Canadian law. In the opinion of counsel, there is doubt as to whether there is such right of recovery and the amount so paid has been charged to Deficit Account pending determination of the matter.

Note 19 — Settlement of litigation in the Supreme Court of the State of New York, County of New York, affecting Canadian Javelin Limited:

Protracted litigation before the Supreme Court of the State of New York, County of New York, and in the United States District Court for the Southern District of New York, by stockholders, a director and the company against John C. Doyle, President of Canadian Javelin Limited and others culminated except for allowance of counsel fees, in the withdrawal of an appeal to the Court of Appeals from an affirmance of the judgment therein by the Appellate Division of the Supreme Court of New York on May 2, 1963. By the dismissal of this appeal, the settlement agreement became effective May 7, 1963.

The principal provisions of the agreement of settlement approved by the Court were as follows:

1. The settlement agreement became effective five (5) days after the date when the said judgment became final, with no further appeal therefrom being then available.
2. Mr. Doyle agreed to pay to the Company the sum of $3,350,000, in three instalments of $750,000, the first of which was due and payable on the 180th day after the effective date (as defined in the preceding paragraph), the next two payments to be made at successive twelve month intervals following the date when the first payment becomes due and payable and a final payment of $1,100,000 is to be made twelve months after the last of the preceding payments. Such indebtedness of Mr. Doyle to the Company is to be evidenced by promissory notes, without interest, in the face amount of $3,350,000.
3. Mr. Doyle was to deposit with an escrow agent, to be designated by the Company, 400,000 shares of Capital Stock of the Company as collateral security for the payment of the said promissory notes. As Mr. Doyle shall make payments on his promissory notes under the agreement, he shall have the right to withdraw, simultaneously with any such payment, from the collateral deposited, a percentage of that number of shares of common stock initially deposited with the escrow agent as colatteral, which is equal to 75% of the percentage which the amount of the payment bears to the amount of the said promissory note.
4. Mr. Doyle was entitled to a credit against the first instalment payment of the said promissory note for any monies which the Company then owned him provided that the amount thereof was determined by the Company's Auditors and approved by the Board of Directors of the Company.
5. Within five days from the effective date of the settlement agreement, Mr. Doyle was to cause to be delivered to the Company an agreement executed by Boon-Strachan Coal Company Limited, a corporation controlled by Mr. Doyle, cancelling and terminating, in all respects, the prior agreements between the Company and Boon-Strachan Coal Company Limited. These prior agreements appointed Boon-Strachan Coal Company Limited as the Company's exclusive sales agent for the sale of all ores mined from mining leases or properties owned or controlled by the Company, except ore mined from the property subject to the mining lease with Wabush Iron Co., Limited, Pickands, Mather & Co. or The Steel Company of Canada Limited. Under these prior agreements to be cancelled, Boon-Strachan Coal Company Limited would be entitled to receive a commission of 5% of the gross selling price of all shipments of such products, but no less than $.50 per gross ton.

6. Within 45 days after the effective date of the agreement, the Company was to authorize the employment of a firm of nationally known Canadian auditors to make periodic examinations of the Company's financial affairs, which auditors will be acceptable to the Supreme Court of the State of New York and to the Government of Newfoundland.
7. Mr. Doyle agreed, within 45 days after the effective date of the agreement, to do the acts necessary to effect the election to the Board of Directors of Canadian Javelin Limited of three new directors who were to be approved by the Supreme Court of the State of New York and the Government of Newfoundland as to integrity, experience and independence.

The provisions of the Agreement of Settlement have been implemented in the following manner to date:

(a) Mr. Doyle has made and delivered the notes described in Item 2 of the principal settlement provisions together with the cancellation agreement executed by Boon-Strachan Coal Company Limited described in Item 5.

(b) On May 13, 1964, the Board of Directors approved the settlement of the first instalment of $750,000 due against notes payable to the Company by Mr. Doyle through offset of that amount against amounts owed to him by the Company. Mr. Doyle abstained from voting in connection with such approval. As of April 30, 1965, Mr. Doyle was in default of payment of the second instalment of $750,000 which was due in November 1964.

(c) Because of the writ described in Note 18 (a), Mr. Doyle was unable to deposit 400,000 shares of the capital stock of Canadian Javelin Limited as required by Item 3. of the principal settlement provisions. The Court has given permission for substitution as collateral security 38,802 shares of Hoteles Interamericanos S.A. representing 53.7% of the outstanding capital stock of that Company. Hoteles Interamericanos S.A. owns the El Panama Hilton Hotel in Panama R.P. The aforementioned shares, endorsed for transfer, have been delivered to the custody of three members of the Board of Directors, Admiral Orem and Messrs. McDaniel and Perley-Robertson as escrowees.

(d) Three new directors were appointed to the Board under the terms of Item 7 of the principal settlement provision:

Admiral H. E. Orem (U.S. Navy Retired)
Hon. Senator Sarto Fournier, Q.C.
Mr. George Perley-Robertson, Q.C.

(e) Messrs. Davis, Bishop & Company, Chartered Accountants, were appointed auditors under the terms of Item 6. of the principal provisions of the settlement.

A LABRADOR LANDMARK is this modern 57-room Sir Wilfred Grenfell Hotel complete with meeting and dining rooms and a cocktail lounge. A branch of the Bank of Montreal is also located in the building.

By order of the Supreme Court of the State of New York, entered on July 10, 1963, the Company was directed to pay the sum of $125,000 to the Referee for his services in the aforementioned litigation, of which one-half was payable on July 15, 1963 and one-half was payable on January 10, 1964. This fee has been paid in full.

On September 10, 1963, an order and judgment was entered by the Supreme Court of the State of New York which approved counsel and accounting fees and disbursements to be paid by the Company to various counsel (other than Counsel for the Company) and accountants who appeared in the consolidated action, in the aggregate amount of $832,500. This sum was payable in instalments spread over a period of years, from 1964 through 1967. The sum of $112,500 was payable in 1964, $250,000 in 1965, $250,000 in 1966 and $220,000 in 1967. Except for $12,500, the balance of the payments was to be evidenced by an order of payment by Canadian Javelin Limited to Wabush Iron Co. Limited, pursuant to which quarterly annual instalments, in the aggregate above set forth, were to be paid by Wabush Iron Co., Limited directly to Pomerantz, Levy, Haudek & Block Esqs., on behalf of all such attorneys and accountants.

Fees payable to counsel and accountants for the plaintiffs aggregating $832,500, fees payable to counsel for the company and directors amounting to $735,000 and fees of $125,000 paid to the Referee in this litigation were approved at the annual meeting of shareholders held on June 30, 1964.

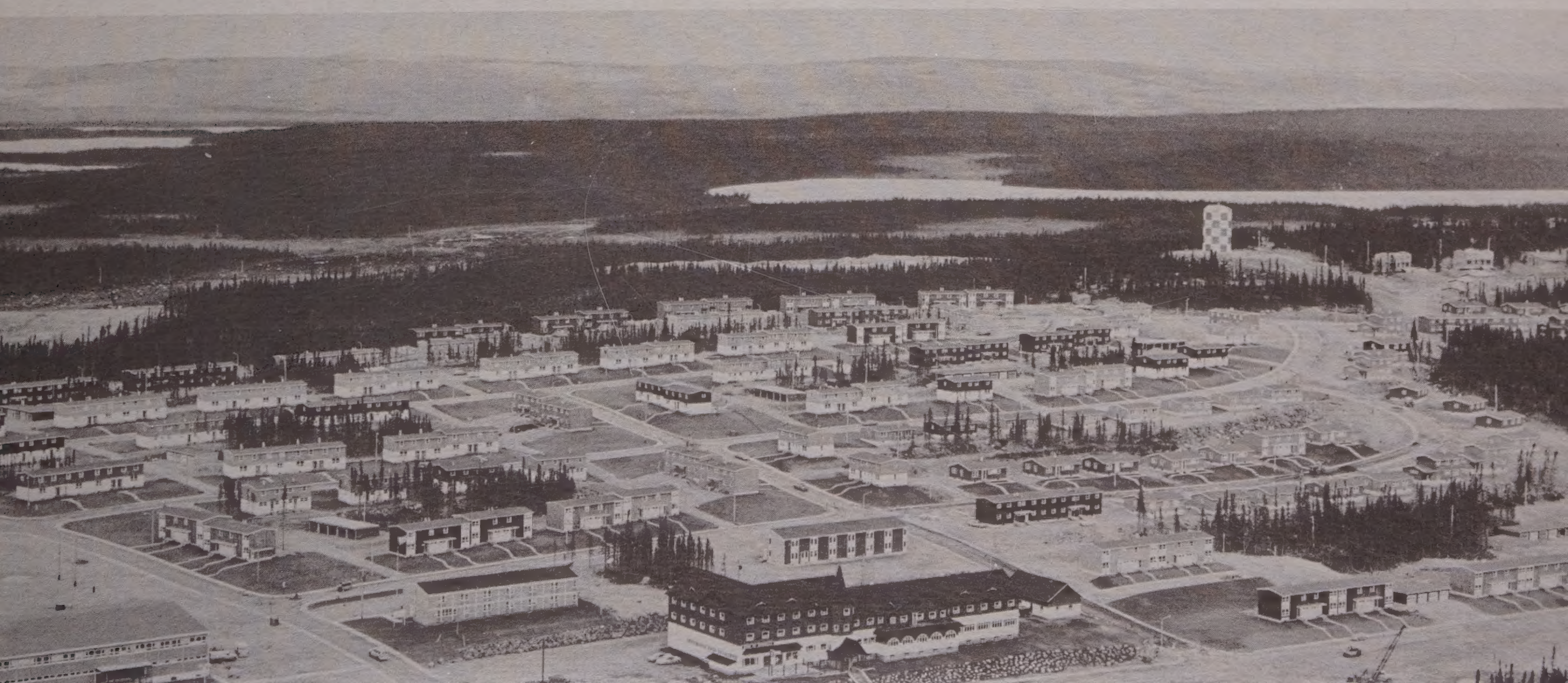
Agreement was reached whereby the rate of payment of $830,000 of fees payable to counsel and accountants for the plaintiffs was varied from that specified in the judgment. Such fees are now payable as follows:

1964	$110,000.
1965	250,000.
1966	250,000.
1967	220,000.
	$830,000.

In accordance with the terms of the agreement, the Company has issued a direction to Wabush Mines to the effect that if the Company does not meet its payments as aforesaid, Wabush Mines are to deduct and remit to Messrs. Pomerantz, Levy, Haudek & Block (representing all except one counsel and accountants for the plaintiffs) the amount payable and to deduct such sum from quarterly payments due to the Company for royalties. In accordance with the aforementioned direction $100,000 of the liability payable in 1964 and $50,000 payable in 1965 was deducted from accumulated royalties due to the Company and remitted to Messrs. Pomerantz, Levy, Haudek & Block in 1965.

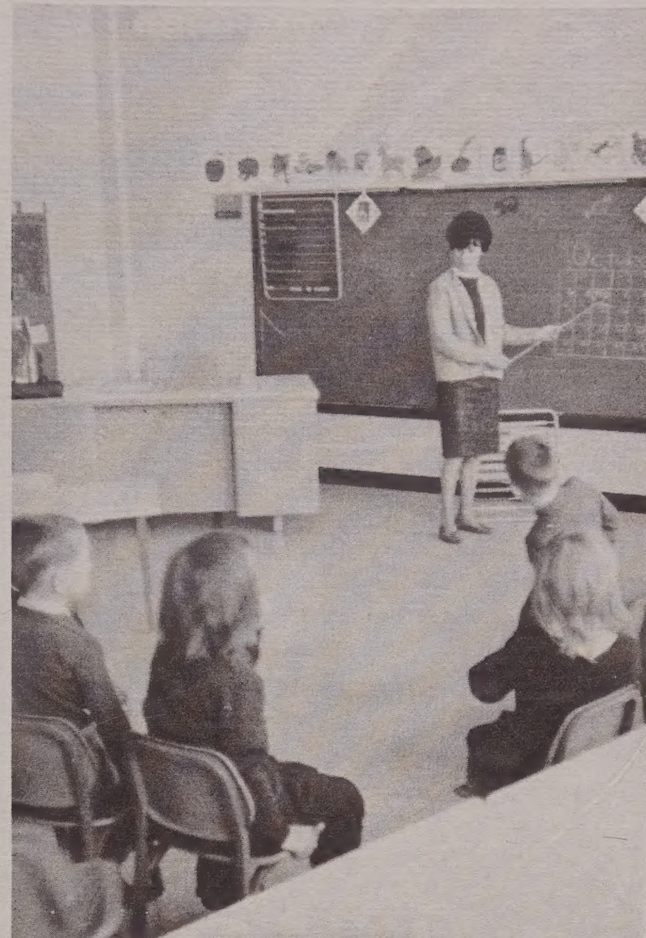
An offer of settlement in this litigation, in the amount of $150,000 was received from Mr. Robert Sherwood and was approved by the Board of Directors of Canadian Javelin Limited. The offer was placed before the Supreme Court of The State of New York for its consideration. On March 16, 1964, the Court designated a Referee to report with regard to the adequacy of the settlement. A subsequent offer of a cash settlement of $120,000 received from Mr. Sherwood was approved at a meeting of The Board of Directors on November 4, 1964 and referred to the aforesaid Referee.

TOWN OF WABUSH offers modern, comfortable housing for employees along with attractive living conditions. Curbs, sidewalks and street lights are in place and green lawns surround most of the houses. In foreground is the 57-room Sir Wilfred Grenfell Hotel, complete with dining room and cocktail lounge. A shopping center, Wabush Plaza, is across the street from the hotel.



SIGNS OF
A TYPICAL
SUBURBAN
COMMUNITY . . .
TOWN OF
WABUSH,
LABRADOR

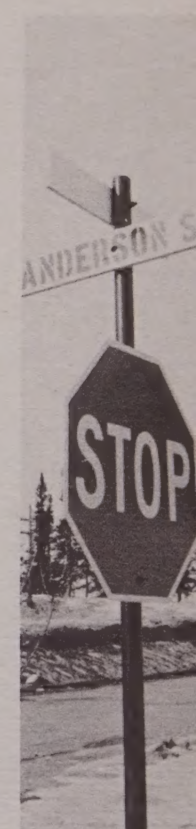
Elementary school

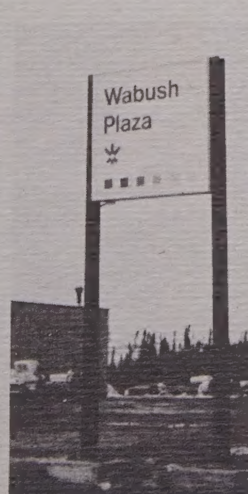


Learning the ABC's

Paved streets

Back from a shopping tour





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CANADIAN
JAVELIN
LIMITED

Incorporated under Federal Charter in June 1951

HEAD OFFICE:
Javelin House, St. John's,
Newfoundland

ENGINEERING OFFICE:
100 Bronson Avenue
Ottawa, Ontario

LATIN AMERICAN OFFICE:
Santiago, Chile

EXPORT & SALES OFFICE:
Nassau, Bahamas

FIELD OFFICE:
Wabush, Labrador

PROPERTIES:

LABRADOR AND NEWFOUNDLAND
45,575 square miles of
mineral and timber concessions

TIMMINS AREA, ONTARIO

SENETERRE AREA, QUEBEC

PROVINCE OF ATACAMA, CHILE

THE JAVELIN CORPORATION
680 Fifth Avenue
New York, N.Y.